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First half of 2025

Summary Data on the Czech Republic

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Main source of data in the whole analysis: Czech Statistical Office (CZSO), Ministry of Finance (MF CR), Czech National Bank (CNB), Ministry of Labour and Social Affairs (MLSA), Czech Social Security Administration (CSSA), Eurostat, CZSO calculations.

Latest information provided in this report has been dated the 8th September 2025.

1. Summary

- Gross domestic product (GDP) grew by 0.5%, quarter-on-quarter, in Q2 2025¹. The growth was supported by a recovery of domestic consumption and developments in inventories. Investments grew only slightly, quarter-on-quarter. The international trade balance negatively affected the GDP growth. Year-on-year GDP growth strengthened to 2.6% in Q2. Domestic consumption grew and the change in inventories had a positive effect. However, the year-on-year growth of the economy was still hampered by investment activity and the international trade balance. Gross domestic product grew by 0.2%, quarter-on-quarter, in the EU and by 1.6%, year-on-year, in Q2. Mainly the developments in the German economy contributed to the slowdown of quarter-on-quarter GDP growth in the EU.
- In Q2 2025, the Gross value added increased by 0.5%, quarter on quarter. The group trade, transport, accommodation and food service activities was the most influential in the direction of GVA growth, supported by the recovery of domestic consumption. Solid development also continued in construction and professional, scientific, technical and administrative activities grew significantly. The GVA increased slightly again, quarter-on-quarter, in manufacturing, following the previous decline. Year-on-year GVA growth strengthened to 2.8% in Q2. The most growth-oriented activities were the group trade, transport, accommodation and food service activities and information and communication. The most significant year-on-year GVA increase was recorded in construction. Gross value added increased by 2.2%, year-on-year, in total industry in Q2, of which by 2.0% in manufacturing, mainly due to the weak comparative basis of the previous year.
- Quarter-on-quarter growth of exports of goods and services slowed down significantly to 0.3% in Q2². Imports increased by 1.5%. The year-on-year increase of exports reached 4.2% and imports 6.0%. The balance of international trade in goods and services at current prices reached a surplus of 118.8 bn CZK in Q2, which thus decreased by 11.0 bn CZK, year-on-year. The surplus of trade in services and goods has fallen. The balance of trade deteriorated for most items, most notably crude oil and natural gas, fabricated metal products and electrical equipment. On the contrary, the surplus of sale of motor vehicles and motorcycles increased considerably.
- The total price level (according to the GDP deflator) increased by 3.3%, year-on-year, in Q2 and by 1.3%, quarter-on-quarter. Consumer prices were 2.4% higher, year-on-year, in Q1 and up 0.5%, quarter-on-quarter. Food and non-alcoholic beverages maintained the strongest influence on the total consumer price growth, while the contribution of housing and energy prices strengthened slightly. Prices of alcoholic beverages and tobacco made a significant contribution, and strong growth of prices of services continued to be evident, particularly in the division recreation and culture and food service and accommodation. Only prices of transport, clothing and footwear dropped, year-on-year. Growth of catalogue as well as realized prices of dwellings continued to strengthen.
- Total employment³ was 1.0% higher, year-on-year, in Q2 and increased by 0.5%, quarter-on-quarter. The total unemployment rate has remained below 3% since the beginning of the year. The average gross monthly wage rose by 7.8%, year-on-year, in Q2 and amounted to 49,402 CZK. In real terms, the average wage increased by 5.3%. The quarter-on-quarter nominal increase of seasonally adjusted average wages was 2.2%.
- The key monetary policy-relevant interest rates were cut once in Q2. Along with them, the interest rates on deposits, especially term deposits, also decreased, which was also associated with their shrinking volume. The share of net new loans in new mortgage contracts strengthened.

¹ Data regarding the GDP, gross value added, and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

² According to the methodology of quarterly national accounts (export and import in FOB/FOB prices).

³ Employment data are in the national accounts conception and adjusted for seasonal effects.



- The state budget ended in deficit of 152 bn CZK in H1. Year-on-year, the deficit lowered by approximately one sixth. The partial year-on-year deficit improvement was caused by a relatively solid growth rate of total income, which is gradually reflecting the impact of the recovery of economic performance. Expenditure growth continued to be dampened by the fading need for extraordinary expenditure on both households and firms affected by the effects of high inflation. The revenue and expenditure sides of the budget are also affected by the impacts of the consolidation recovery package approved in 2023. A clear impact is having a change of the budget allocation of taxes, which from January 2025 again increases the share on revenue of some taxes of importance in favour of the state budget.

Selected Key Indicators of the Economic Development*

Indicator	Unit	2024			2025		Whole year	
		2q	3q	4q	1q	2q	2023	2024
Economic Performance								
Gross Domestic Product in the CR ¹	y/y, in %	0,5	1,5	1,9	2,4	2,6	0,2	1,1
	q/q, in %	0,3	0,6	0,8	0,7	0,5	x	x
Gross Domestic Product in the EU ¹	y/y, in %	0,7	1,1	1,5	1,7	1,6	0,4	1,0
Final consumption expenditure ¹	y/y, in %	1,9	3,0	3,1	2,2	3,1	-0,9	2,6
Gross fixed capital formation ¹	y/y, in %	-3,1	-3,5	-5,1	-1,8	-0,2	4,5	-3,1
Exports of goods and services ^{1,3}	y/y, in %	-0,3	3,5	1,1	3,9	4,2	2,8	1,1
Imports of goods and services ^{1,3}	y/y, in %	-2,0	2,9	2,7	4,9	6,0	-0,9	0,2
Balance of foreign trade ^{2,3}	in CZK bn	129,8	118,2	124,4	136,0	118,8	380,6	503,3
Balance of economic sentiment indicator ⁴	in p.p.	5,3	4,2	4,8	6,7	7,4	0,8	4,8
Performance in Main Branches								
Industrial production ⁴	y/y, in %	-1,6	0,8	-2,2	0,7	1,3	-0,8	-1,0
Construction production ⁴	y/y, in %	-4,6	-1,6	3,2	7,2	10,9	-2,4	-1,4
Sales in services ⁴	y/y, in %	2,9	2,9	2,1	3,1	2,2	-1,6	2,3
Sales in retail trade ⁴	y/y, in %	4,0	4,7	5,2	3,4	5,0	-4,2	4,6
Prices								
Consumer price index	y/y, in %	2,5	2,3	2,9	2,7	2,4	10,7	2,4
HICP in the CR	y/y, in %	2,7	2,6	3,1	2,8	2,3	12,0	2,7
HICP in the EU	y/y, in %	2,6	2,4	2,5	2,7	2,3	6,4	2,6
Agricultural producer prices	y/y, in %	-10,4	-1,4	5,0	8,8	14,7	-6,0	-5,9
Industrial producer prices	y/y, in %	1,1	1,2	1,8	0,0	-0,9	5,0	0,8
Service producer prices in the bus. sph.	y/y, in %	3,4	3,4	3,7	3,5	4,2	5,6	3,8
Terms of trade in trade with goods	in %	100,6	101,0	101,9	100,1	100,4	105,3	101,5
Labour Market								
Total employed in the CR ³	y/y, in %	0,7	0,7	0,5	1,1	1,0	1,6	0,6
General unemployment rate in the CR ⁵	in %	2,7	2,7	2,7	2,6	2,9	2,6	2,6
General unemployment rate in the EU ⁵	in %	6,0	5,9	5,8	6,0	5,9	6,1	5,9
Average employee wage (nominal)	y/y, in %	7,1	7,2	6,9	6,6	7,8	7,2	7,2
Average employee wage (real)	y/y, in %	4,5	4,8	3,9	3,8	5,3	-3,2	4,7
Monetary Conditions								
Two week repo rate ⁶	in %	4,75	4,25	4,00	3,75	3,50	6,75	4,00
Exchange rate CZK/EUR		25,0	25,2	25,2	25,1	24,9	24,0	25,1
Exchange rate CZK/USD		23,2	22,9	23,6	23,8	22,0	22,2	23,2
State Budget ⁷								
State budget balance in the CR	in CZK bn	-73,6	-3,1	-89,6	-91,2	-61,2	-289	-271
State debt ⁶	in CZK bn	3207	3334	3365	3410	3504	3111	3365

Data source: CZSO, CNB, MF, Eurostat

* Unless stated otherwise, data relate to the CR.

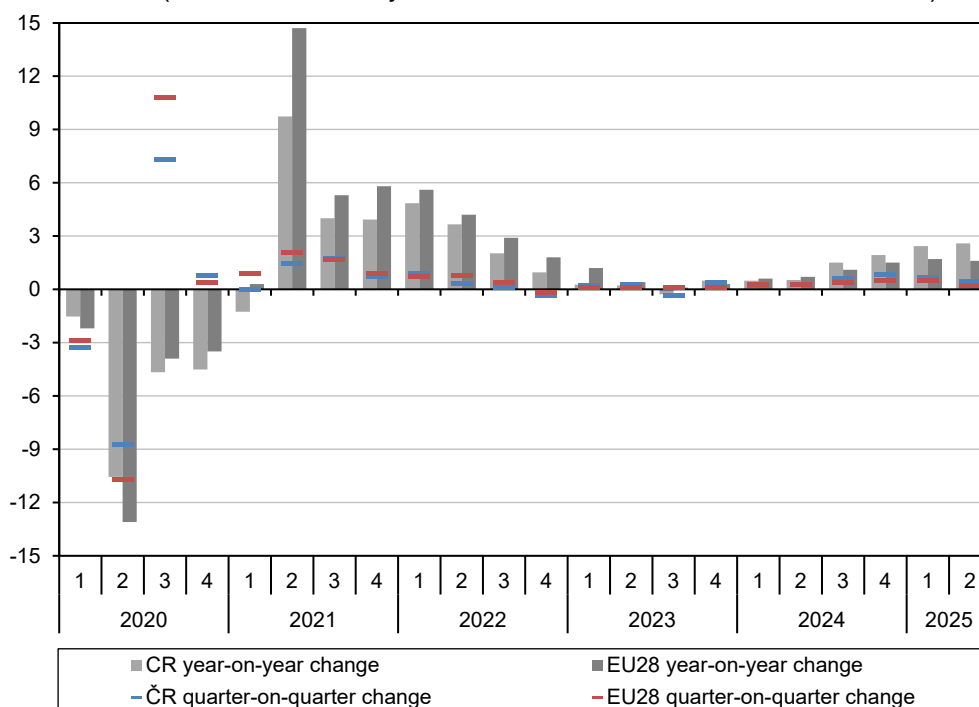
⁴ adjusted for seasonal effects¹ data adjusted for seasonal and calendar effects in constant prices⁵ seasonally adjusted, age group 15 – 74 years² data adjusted for seasonal and calendar effects in current prices⁶ balance at the end of period³ in the national account conception, in natural persons⁷ based on treasury fulfilment

2. Overall Economic Performance

Year-on-year GDP growth strengthened in Q2.

The Czech economy continued on the course set in H2 2024, when the Gross domestic product (GDP) growth recovered⁴. The GDP thus grew by 0.5%, quarter-on-quarter, in Q2 2025. The increase slowed slightly compared to previous periods due to the negative effect of the international trade balance. However, domestic demand strengthened significantly, mainly due to domestic consumption and creation of inventories. The investment activity grew slightly, quarter-on-quarter, for the second quarter in a row. Annual GDP growth strengthened to 2.6% in Q2 thanks to the ongoing quarter-on-quarter growth. Household consumption grew more significantly, year-on-year, and total economic growth was also supported by a change of inventories. Nevertheless, the investment activity continued to lag behind, year-on-year, and the international trade balance also had an adverse effect on GDP.

Chart 1 GDP (volume indices, adjusted for seasonal and calendar effects, in %)



Source: CZSO, Eurostat

GDP growth has slowed in the EU, especially under the influence of Germany.

Quarter-on-quarter GDP growth slowed to 0.2% in the EU in Q2⁵. Mainly the large German economy influenced the slowdown, its economy shrank again by 0.3% after the growth from Q1. GDP also declined in Finland (-0.4%) and Italy (-0.1%). A minority of EU countries grew more moderately than in the previous quarter (in addition to the Czech Republic also Ireland, Belgium, Lithuania and the Netherlands). The fastest quarter-on-quarter GDP growth was recorded in Denmark (1.3%), Croatia and Romania (both 1.2%). Consumption in the EU developed positively in Q2 (0.4%, growing, quarter-on-quarter, in the vast majority of countries) and expenditure on gross capital formation also increased. However, this was mostly favourably affected by the creation of inventories. Investment in the EU fell by 1.7%, quarter-on-quarter (by -1.4% in Germany). The international trade balance adversely affected the GDP growth in Q2 (in contrast to Q1). The EU economy grew by 1.6%, year-on-year. In the second quarter, GDP growth was negatively affected by the external trade balance (in contrast to the first quarter). The EU economy grew by 1.6%, year-on-year. GDP increased the

⁴ The development of the GDP, gross value added, and their components is expressed with the help of the volume indices (i.e. adjusted for changes in prices) and adjusted for seasonal and calendar effects. Data are valid as of 29th August 2025.

⁵ Data for Greece not available.

most in Ireland (18.0%), Cyprus (3.3%) and Croatia (3.2%). On the other hand, it decreased in Luxembourg (−0.2%) and the year-on-year GDP growth rate in Germany (0.2%) and Hungary (0.2%) was close to stagnation.

The volume of wages and salaries has strengthened significantly.

The volume of wages and salaries paid in Q2 showed a significant acceleration of quarter-on-quarter growth to 3.0%, with a simultaneous increase of employment by 0.5%⁶. The real increase thanks to this acceleration reached a very robust 2.4%⁷. Wages and salaries increased the most, quarter-on-quarter, in real estate activities (7.2% amid a 0.2% decline of employment), where wage growth often fluctuates significantly, among other things, in relation to real estate prices movements. Very strong quarter-on-quarter increases were also recorded in a number of services divisions – public administration, education, health and social work (4.3%, employment +0.9%), professional, scientific, technical and administrative activities (3.8%, employment −0.6%). In particular, the increase of employment by 1.3% supported a solid increase of the volume of wages and salaries in the group trade, transport, accommodation and food service activities (2.7%). On the contrary, due to a 4.1% decline of employment, there was only a slight increase of paid disbursements in information and communication (1.3%) and the volume of wages and salaries stagnated in financial and insurance activities (employment decreased by 0.6%). The only plunge of the volume of wages and salaries within services and the total economy eventuated in other activities⁸ (−3.1% with an increase of employment by 4.3%). In Q2, wages and salaries were raised strongly again in construction (3.0%, employment −0.4%). Quarter-on-quarter growth of wages and salaries in industry also strengthened (2.7%, employment +0.4%). Of these, the recovery was more pronounced in manufacturing (2.8%, employment +0.2%).

The services sector drove the growth of wages and salaries forward.

The strong quarter-on-quarter recovery also had a direct impact on the year-on-year increase of the volume of paid out wages and salaries, which strengthened to 8.3% in Q2 with an increase of employment by 1.0%. The real year-on-year increase climbed to 5.0%. Wages and salaries also grew the most, year-on-year, in real estate activities (17.9%, employment +3.0%). The increase was above average in professional, scientific, technical and administrative activities (11.6%, employment +1.0%), in construction (10.2%, employment +1.1%), public administration and defence, education, human health and social work activities (9.2%, employment +2.3%) and in the group trade, transport, accommodation and food services (9.0%, employment +1.2%). The pace weakened in information and communication (7.5%, employment −1.2%), in other activities (4.8% against an increase of employment by 4.7%) and in financial and insurance activities (3.8%, employment −0.3%). In total industry and in the manufacturing industry itself, wages and salaries increased by 5.9%, year-on-year, accompanied by a slight decrease of employment (−0.5% in industry, of which −0.4% in manufacturing).

The domestic consumption revived.

Solid domestic consumption growth resumed after a brief slowdown in Q2. Consumption increased by 1.1%, quarter-on-quarter, and by 3.1%, year-on-year. Consumption thus contributed a total of 1.7 p. p. to the annual GDP growth and 0.6 p. p., quarter-on-quarter⁹. The recovery concerned both household and government consumption. In the case of households, expenditure increased by 1.0%, quarter-on-quarter, in Q2 and was higher by 3.4%, year-on-year. General government consumption increased by 1.2%, quarter-on-quarter, and by 2.2%, year-on-year. In terms of durability classification of consumption¹⁰,

⁶ Employment data are in the national accounts conception (persons), figure seasonally adjusted.

⁷ Converted into the real expression using the deflator of household consumption.

⁸ This section contains activities of organisations of common interests, repairs of computers and mainly personal and household goods and a number of other personal services (beauty, hairdressing treatment etc.).

⁹ Additions to the GDP change after exclusion of imports for final use.

¹⁰ Data regarding consumption based on durability are in domestic conception.

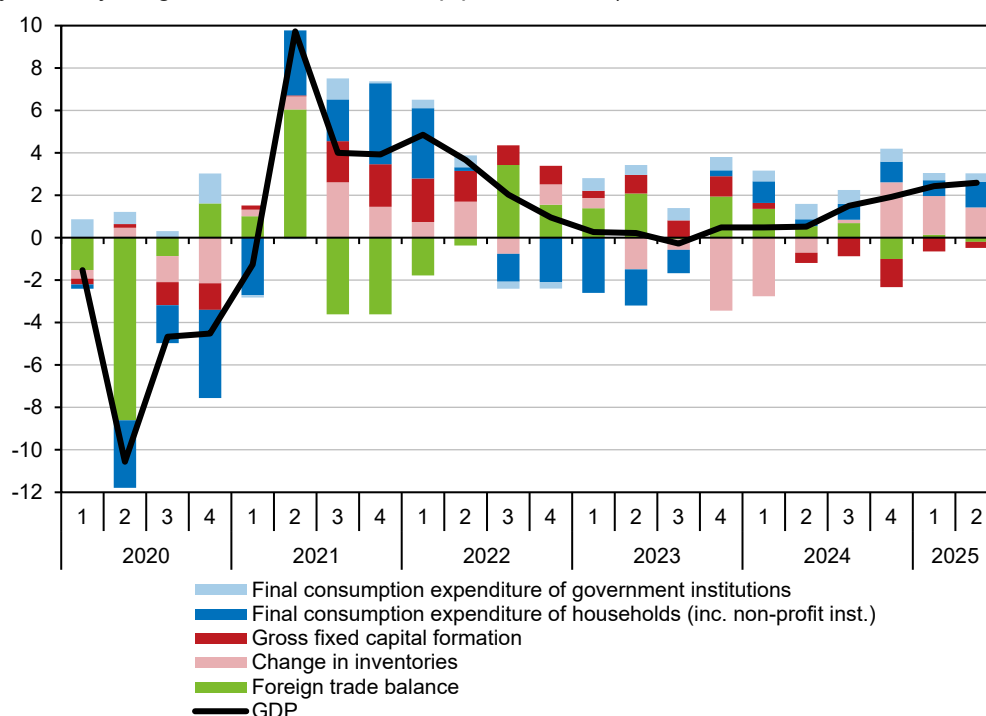


a strong quarter-on-quarter recovery of long-term consumption expenditure manifested (3.2% was the highest increase in the last four years, consumption of durables increased by 2.7%, year-on-year). Consumption of non-durables (2.4%, quarter-on-quarter, 5.6%, year-on-year) and semi-durables (0.7%, quarter-on-quarter, 2.1%, year-on-year) also strengthened. In contrast, the consumption of services grew more slowly (0.3%, quarter-on-quarter, 2.0%, year-on-year).

Investment increased slightly, quarter-on-quarter, but GDP growth was mainly supported by inventories creation.

Expenditure on gross capital formation increased by 1.8%, quarter-on-quarter, in real terms in Q2 and was higher by 5.1%, year-on-year, the same as in Q1. Capital outlays contributed 0.4 p. p. to total quarter-on-quarter GDP growth and 1.1 p. p. to the year-on-year growth. The quarter-on-quarter growth of investment itself (expenditure on gross fixed capital formation) was only moderate (0.5%), and investment activity lagged behind by 0.2%, year-on-year. A change in inventories maintained a positive effect on gross capital formation¹¹. Breakdown of gross fixed capital formation by type of capital good showed a positive quarter-on-quarter development in the area of other buildings and structures in Q2 (2.8%, year-on-year investment was higher by 4.7%), which also represented an ongoing favourable impulse for the domestic construction. Investment in transport equipment also grew (2.4%, quarter-on-quarter, 2.1%, year-on-year). Expenditure on intellectual property products stagnated (quarter-on-quarter growth of 0.1%, year-on-year by 0.5%). By contrast, investment into ICT and other machinery and equipment recorded a quarter-on-quarter decline of 1.6%, and a slight decrease (-0.5%) was also apparent for investment in dwellings. In both cases, the series of year-on-year declines was thus extended. Expenditure on ICT and machinery and equipment lagged behind the same period of the last year by 3.1%, and 4.1% for dwellings.

Chart 2 Contribution of expenditure items to real GDP change* (volume indices, year-on-year growth, contributions in p.p., GDP in %)



Source: CZSO

* after exclusion of exports for final use

¹¹ Change of the inventory stock (in current prices and not seasonally adjusted) attained 36.7 bn CZK in Q2 2025. It was 9.5 bn CZK in the same period of the last year and -6.9 bn in Q1 this year.

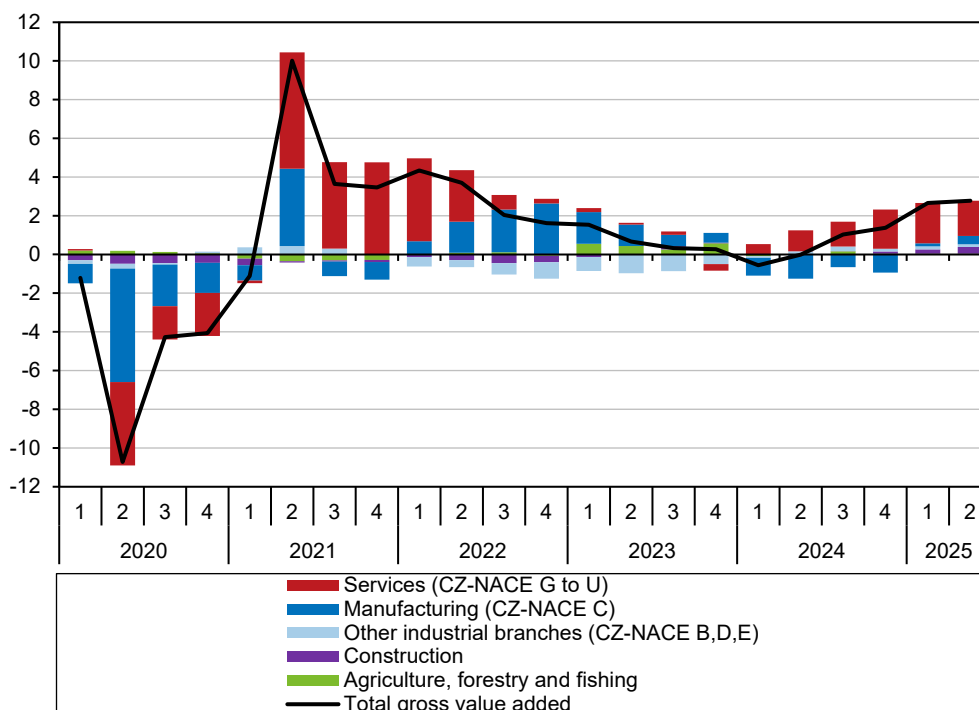
The balance of international trade with goods and services deteriorated.

Exports of goods and services¹² increased by 0.3%, quarter-on-quarter, in Q2, while exports of goods were higher by 0.6% and decreased by 1.0% for services. Growth slowed down significantly, mainly compared to the first quarter, which received an impetus in the form of impending tariffs between the US and the EU. The negative impact of the international trade balance of goods and services on GDP growth (−0.6 p. p., quarter-on-quarter, and −0.2 p. p., year-on-year) in Q2 was mainly due to the fact that imports maintained strong quarter-on-quarter (1.5%) and year-on-year (6.0%) dynamics compared to exports. Exports of goods and services were higher by 4.2%, year-on-year (exports of goods increased by 4.7% and services by 2.2%). The international trade balance of goods and services at current prices reached a surplus of 118.8 bn CZK in Q2, which is a year-on-year deterioration of 11.0 bn CZK. Trade with services contributed more to the year-on-year deterioration (−8.5 bn CZK), but the surplus of trade with goods also declined (−2.5 bn). The surplus also worsened quarter-on-quarter and again mainly under the influence of services.

Trade, transport, accommodation and food service activities were thriving.

Gross value added (GVA) increased by 0.5%, quarter-on-quarter, in Q2. The increase slowed down, mainly resulting from the financial and insurance activities, which went from the previous growth to a decline of GVA by 4.6%, and further also due to the moderation of GVA dynamics in information and communication to 0.5%. The group trade, transport, accommodation and food service activities (1.7%) contributed the most to the GVA growth, supported by the recovery of domestic consumption. Solid development in construction also continued (1.9%) and professional, scientific, technical and administrative activities grew significantly (1.3%). Growth slowed in real estate activities (0.2%) and other activities (0.2%). GVA in manufacturing increased slightly again (0.3%) following a preceding decline, continuing a series of uncertain performance of the industry. GVA decreased in public administration and defence, education, human health and social work activities (−0.2%).

Chart 3 Contributions of branches to real change in GVA (volume indices, year-on-year contributions in p. p., GVA in %)



Source: CZSO

¹² According to the methodology of quarterly national accounts (export and import in FOB/FOB prices). International trade balance in current prices and seasonally adjusted.



The favourable development continued in construction.

Year-on-year GVA growth strengthened to 2.8% in Q2. The group trade, transport, accommodation and food service activities, where the GVA was higher by 3.8%, worked the most in the direction of growth. Information and communication also contributed significantly to the growth (6.8%). The most significant year-on-year GVA increase was recorded in construction (6.2%), which is experiencing a more successful period after years of declines¹³. The GVA increase in other activities was also above the total average (3.9%). Gross value added in total industry increased by 2.2%, year-on-year, in Q2, in that by 2.0% in manufacturing. The increase was mainly influenced by the low comparison basis of the previous year, as the pace acceleration was not supported by quarter-on-quarter dynamics. Growth slowed down in the group professional, scientific, technical and administrative activities (2.7%), in financial and insurance activities (2.0%). Activities in real estate (1.0%) and public administration and defence, education, human health and social work activities (1.1%) grew only slightly, year-on-year.

¹³ The branch was continuously falling, year-on-year, since Q3 2018 till Q2 2023.

3. Branches Performance

The continued quarter-on-quarter growth of value added this year was mainly due to construction, trade and tourism-related branches.

Year-on-year GVA growth accelerated significantly. Services maintained a key role, with ICT performance growth continuing the most.

There has been a positive turnaround in industry this year. Construction performed well, with GVA growing the most in the last eleven years. The situation in the primary sector was stabilised.

The performance of all sectors of the economy, captured via the gross value added (GVA)¹⁴, increased by 0.9%, quarter-on-quarter, at the beginning of this year and by 0.5% then in Q2. The trend of a slight revival of the domestic economy, which was also evident for most of last year, thus continued. Within the material production sector, the output of construction increased the most this year, in addition the vast majority of services also developed – especially the weight-dominant group Trade, transport, accommodation and food service activities. The total economic performance was 3.9% above the peak of the last boom period (Q4 2019) in Q2 this year, however almost exclusively due to services (especially ICT, financial and advanced services for businesses)¹⁵.

The year-on-year growth of the total GVA accelerated to 2.7% for the whole H1 (at a similar pace in both quarters of this year), i.e. to a three-year high. The whole economy was still driven mainly by services (contribution +1.9 p. p., sector growth by 3.0%). A full third of the growth-boosting impact of the tertiary sector was accounted for by the group Trade, transport, accommodation and food service activities, which benefited from growing demand of domestic consumers as well as the continued development of inbound tourism. However, information and communication still represented the most dynamic area of services, where the rapid growth of GVA (7.4%) took place with a noticeable strengthening of labour productivity¹⁶. Slightly above-average GVA growth was also reported by advanced services for businesses¹⁷, financial activities, as well as a smaller diverse grouping of Other service activities, where cultural, entertainment and recreational activities play an important role. On the contrary, lower dynamics persisted in activities with a predominance of the public sector¹⁸ and also in real estate activities, where the GVA (despite increasing employment in previous years) was still only at the level of 2019.

A positive turnaround was recorded in industry this year. Both manufacturing and energy contributed to the slight growth of GVA (by 1.7%, year-on-year, in H1). However, the contribution of the whole industry sector to the economic growth has so far been relatively low. The acceleration of the growth pace of investment into buildings and structures was reflected in the performance of construction. Its GVA strengthened to 5.1% this year (a higher pace was last recorded in H1 2014, when the finalization of infrastructure projects accelerated due to the possibility of drawing resources from the EU funds). Primary sector of the economy recorded a slight GVA growth in H1 (+1.8%), similar to the total for last year. The situation of domestic producers remained stable¹⁹ in animal output, despite

¹⁴ Figures related to GVA are expressed in constant prices and adjusted for seasonal and calendar effects.

¹⁵ GVA exceeded the pre-crisis level by 41% in information and communication activities, by 18% in financial and insurance activities, by 17% in business services (professional, scientific, technical and administrative activities) and by 8% in public administration and defence, education, human health and social work activities. On the contrary, output of industry lagged behind Q4 2019 by 4% (its manufacturing part by 1%), and by as much as 9% in construction.

¹⁶ Number of hours worked in this activity did not change significantly, year-on-year (−0.7%).

¹⁷ These contain a major part of branch Professional, scientific, technical and administrative activities.

¹⁸ These consist of public administration and defence, education, human health and social work activities.

¹⁹ The trend of slightly increasing *milk production* in the long term continued, albeit at a weaker year-on-year pace in H1 2025. Direct purchases of milk from domestic producers (by first buyers) amounted to 1650 million litres (+0.5%) this year. However, the purchase by dairies alone (1391 million litres) decreased, year-on-year (by 1.9%, the most in the last five and a half years).

Meat production at domestic slaughterhouses grew. It increased by 4.8%, year-on-year, in H1 (by 3.3% for the whole last year). While pork drove the total production last year, its growth has moderated slightly this year (to 4.7%), and the key role switched to poultry meat production (+7.4%). On the contrary, beef production fell (−1.4%), albeit slightly more moderately than last year. Nevertheless, the gross domestic production (expressed in tonnes of carcass weight) of beef increased slightly (by less than 1%) this year (and for the whole of last year) as the export of live animals for slaughter grew rapidly (by 6.1%, year-on-year, in H1) due to rising purchase prices. A quarter of the cattle fattened in the Czech Republic were exported, mainly to Austria, and exports to Italy, for example, strengthened. Exports of live poultry also increased (+13%), while for live pigs they decreased (−18%), but in both cases this did not have a significant impact on the dynamics of domestic production. After taking into account the balance of meat imports and exports (which has been negative for all three main types from the Czech Republic view for a long time and has further deepened, year-on-year, for pork), the provisionally calculated meat consumption fell in the Czech Republic in H1 2025, year-on-year, for beef (−9%, after stagnation in 2024), while it increased slightly for pork and poultry (both by 4%) and continued the trend from last year. Meat consumption is influenced by the long-term preferences of domestic consumers as well as by shorter-term



continued marked price movements of the main commodities (mainly beef and pork) as well as increased hygiene risks (especially at the turn of this year). After the bark beetle calamity retreated, the forestry continued to return to the standard management regime, which is characterized by a more stable development of logging²⁰. The influence of last year's weaker harvest (basic cereals, rapeseed, fruit) was likely still felt in the plant production. The effects of this year's harvest, which according to current estimates should be good²¹, could gradually become apparent in further part of this year.

The weak growth of domestic industry was related to adverse external factors.

Domestic industry, which was hit by a mild recession in 2022 and 2023, was also in a difficult situation in H1 this year. Despite a moderate recovery, economic growth remained weak in the Czech economy and its key trading partners. It reflected the growing uncertainty and risks arising from the deteriorated geopolitical situation and the possible escalation of trade wars. These factors were met with still weakened investment activity in the domestic economy, exacerbated by persistently difficult loan financing options. There was a partial relief in the area of cost pressures due to the stabilisation and subsequent decline of the prices of some types of energy (in particular global crude oil prices), but the prices of some important commodities were still well above the level from the beginning of the current decade (e.g. electricity).

The recovery of industry at the beginning of the year was assisted by the energy sector as well as some export sectors, which may have been affected by the efforts of the Czech Republic's trading partners to pre-supply due to a change in US trade policy.

Industrial production²² in the Czech Republic increased by 1.5%, quarter-on-quarter, at the beginning of this year and recorded the most significant recovery since the end of 2023. This was mainly due to the energy industry, mechanical engineering and some major fields focused on manufacturing of intermediate products (electrical machinery, metallurgy and foundry, production of building materials). The strengthening of some export sectors may have been related to the efforts of trading partners to stock up ahead of the effectiveness of the US government's trade policy measures. The output of domestic industry increased by only 0.3% in Q2 2025. The slowdown in the quarter-on-quarter pace was mainly due to energy and also mechanical engineering (for which external demand is traditionally relatively more oriented towards non-European territories). The chemical and electronics engineering industries have struggled with persistent insufficient demand. On the contrary, a positive turnaround in production was recorded in manufacturing of transport equipment. Total industrial output thus lagged slightly behind its peak from the pre-pandemic expansion period (Q2 2019) in Q2 this year (by 1.1%)²³.

fluctuations given, for example, by the reaction of households to the development of consumer meat prices (e.g. the current high growth for beef).

²⁰ Some major manufacturers of wood products recorded a slight year-on-year increase in harvesting in H1 this year, especially in the long-postponed cultivation of middle-aged stands.

²¹ According to this year's 2nd harvest estimate (CZSO survey closing day as of 16th July), the harvest of basic cereals in the Czech Republic is expected in the amount of 6,980 thousand tonnes for 2025, rapeseed 994 thousand tonnes and poppy 30 thousand tonnes. Estimates are slightly higher compared to last year's final harvest: cereals (+3%), rapeseed (+5%), poppy seeds (+9%), however, are still slightly lagging behind in the long-term context: compared to the five-year average, this year's harvest should be lower for cereals (-4%) and rapeseed (-13%), while a very good harvest is expected for poppy (+18%). This lag is mainly reflected in the effect of the continuous decline in the sowing area – this year for cereals (1,211 thousand ha) it was the lowest in a comparable series since 2002 (which applies in detail to e.g. barley or rye), and for rapeseed it was the lowest in the last 19 years (336 thousand ha). Among individual cereals, a higher yield is expected in a year-on-year comparison especially of crops that are more marginal in terms of weight: oats (+24%), triticale (+10%) and spring wheat (+5%), mostly exclusively due to better yields per hectare (only in the case of oats it is exclusively due to the influence of its sowing areas, which are growing briskly for the second year in a row). For the key cereal – winter wheat – the higher area and yield is evenly reflected in the slight increase in expected yield (+3%). Compared to the average harvest from 2020–2024, the yield of most cereals should be lower this year – spring wheat (-50%), rye (-23%), barley (-8%), winter wheat (-3%), growth is expected only for triticale (+6%) and oats (+44%). According to samples tested in the departmental organizations of the Ministry of Agriculture, this year's harvest of food wheat and malting barley should be mostly good in terms of quality. Rainy and colder weather in the second half of July will probably have a smaller negative impact on the quality of cereals than expected. On the contrary, a warm and dry August is likely to have an adverse impact on the harvest of other crops (e.g. hops).

²² Includes branches of mining and quarrying, manufacturing and also energy industry (here as activities of production and distribution of electricity, gas, heat and air conditioning supply). All year-on-year rates of growth of output are adjusted for calendar effects, quarter-on-quarter rates as well for the seasonal effects.

²³ Two thirds of the main industrial sectors fell behind their peak from years 2015 to 2019 in Q2 this year – mainly those related to energy production (-20%) and those focused on manufacturing of durable products (-18%). At the level of individual industries, these were

The development of industrial production was by far the most affected by the energy sector this year. Higher demand for energy reflected the colder weather and the reluctance of households to make further savings.

Most industries oriented on the manufacturing of intermediate products were successful.

The higher performance of the metalworking industry also reflects the rapid development of its arms segment. The long-term developing manufacturing of rail transport equipment also fared well.

The industrial production increased by 1.0%, year-on-year, in total for H1 2025. The positive result of industry was mainly due to the energy sector, whose output increased by 8.3% (the highest since the first half of 2003) and contributed 0.7 p. p. to the growth of the total industry. The output and consumption of electricity²⁴ and gas²⁵ grew. This is mainly related to the fact that the beginning of this year was not as above average in terms of temperature as last year. Nevertheless, the effect of recent austerity measures in households and companies is probably already being exhausted. The motivation to save, especially in households, is also declining due to the stabilisation and subsequent reduction of energy prices, which was more noticeable especially in the case of natural gas. Last year's resumption of real household income growth is also reflected in higher consumption, as well as a slight recovery of overall economic performance, accompanied by a stabilisation of demand in some energy-intensive industries.

Most industries manufacturing intermediate products also assisted the industry this year. In particular, the development of the domestic construction industry was reflected in the production of other non-metallic mineral products, where production increased by 3.9%, year-on-year, in H1 (the highest of all manufacturing branches). After weaker last year's results, there was a positive turnaround in the main subcontracting branches of motor vehicle industry (electrical engineering, rubber, plastic industries) due to both domestic and foreign demand. After more than three years, the first signs of recovery have also appeared in metallurgy and foundry (+3.7%). However, the continuing unfavourable development of foreign orders as well as the persistent slight decline of output of this activity in the EU are somewhat putting the current growth of production in the Czech Republic in perspective. On the contrary, growth in the smaller paper industry (+1.0%), which has been developing for a long time thanks to earlier investments in production facilities in the Czech Republic (domestic demand more likely contributes to this this year). The above-mentioned fields contributed together to the year-on-year growth of the total industry by 0.5 p. p. this year.

Among the investment-oriented sectors, the most significant recovery from the view of the total industry occurred in manufacturing of metal structures and fabricated metal products, which took place as early as H2 2024. This year's slight growth of output of this activity (+1.3%) is associated with higher both domestic and foreign demand, and the "renaissance" of the arms industry has been a significant growth impulse here for several quarters. The long-term growing activity of repair and installation of machinery and equipment, traditionally focused more on the domestic market (e.g. repairs of nuclear equipment), was also successful. However, higher external demand also

primarily coal mining (by 53%), footwear and leather industry (-29%), manufacturing of metal, metallurgy and foundry (-27%), mining of building materials (-26%), textile industry (-24%), printing (-21%). Among the larger branches, there were also energy (-17%), chemical industry (-16%), mechanical engineering (-15%), electronics industry and manufacturing of building materials (both -10%), rubber and plastics (-5%) or metalworking industry (-3%). On the contrary, the sectors producing capital goods and also those with non-durable goods were currently above the pre-crisis level of production (both +7%). Among individual activities, these were mainly the manufacturing of other transport equipment (+39%), pharmaceutical industry (+20%), other manufacturing and also manufacturing of motor vehicles and motorcycles (both +15%), paper industry and electrical engineering (both +13%) and further for instance food industry (+8%).

²⁴ According to the preliminary data of the Energy Regulatory Office, total net electricity production (i.e. excluding intermediate consumption, including production losses) reached 36.3 TWh in the Czech Republic in H1 2025 (the most in the same period in the last three years) and increased by 7.5%, year-on-year. In particular, the generation of steam power plants grew (+10%), followed by nuclear power plants (+6%), and gas, steam-gas and photovoltaic stations also contributed. On the contrary, production in hydroelectric and pumping stations decreased (-28%) due to the lack of precipitation and wind power plants also supplied less (11%). Total domestic net electricity consumption amounted to 30.1 TWh in H1. Its three years lasting year-on-year plunge halted (+2.6%). This was largely caused by higher household consumption (+9.3%), but demand from small businesses also increased (+2.7%), consumption of wholesale consumers stagnated. Compared to 2019, when total net consumption approached its long-term maximum, but total electricity consumption decreased (-7.8%), mainly due to the influence of wholesale consumers (-8.4%) and small businesses (-5.3%), households on the contrary consumed more (+8.4%). The difference between domestic generation and electricity consumption was offset by cross-border flows. Therefore, its exports still prevailed over imports. In addition, the value of the balance has almost doubled this year compared to last year's H1 (to +3.9 TWh).

²⁵ Gas consumption climbed to 4.0 mil m3 in Q1 this year, by 13.2%, year-on-year (after converting consumption to the long-term thermal standard, the growth was noticeably smaller: +4.3%). Double-digit growth of consumption occurred for all customer categories – especially households (+15.3%) and small business customers (+15.0%). When converted to the thermal standard, the year-on-year increase of total natural gas consumption has been evident since last September and has been ongoing for ten months continuously.

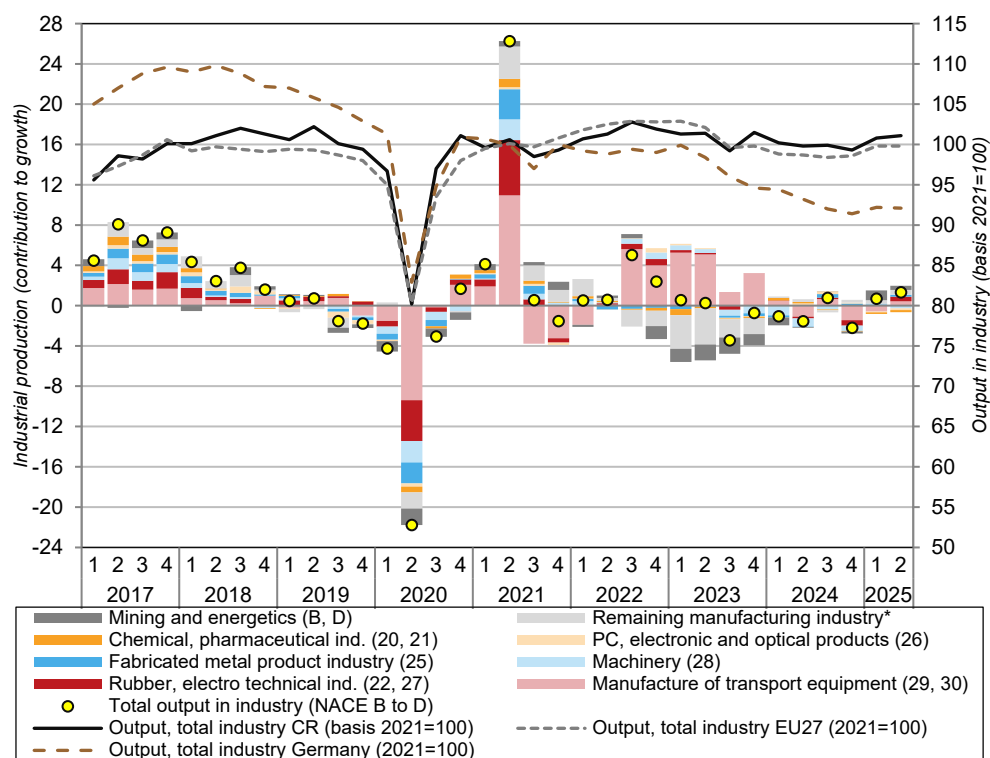


contributed to its output growth (+2.7%) this year (which indicates almost double-digit year-on-year growth of nominal sales from direct exports). The output also increased slightly in manufacturing of other (mainly rail) transport equipment (+1.9%) this year. Nevertheless, output in this relatively small activity has traditionally featured a volatile character and the impact of irregular invoicing of larger orders is evident here. Unlike last year, higher external demand had a positive effect here. The above-mentioned branches contributed only 0.2 p. p. to the growth of industry this year.

The enhanced purchasing power of households further supported the development of the food industry. However, the output growth moderated here compared to last year.

Among the activities of consumer goods manufacturing, the food industry prospered thanks to the rising purchasing power of households. Nevertheless, production growth slowed down by about one half in this activity compared to last year's H1 (to 3.2%). The similar also applies for other manufacturing activities (+1.8%), including among other things also manufacturing of sport goods, games and toys. Production also increased by 3.0% in manufacturing of furniture in H1. While only growing external demand contributed to this at the turn of 2024 and 2025, a slight increase of domestic sales is evident this year in Q2 this year. The gradual improvement of the household financial situation is thus no longer reflected only in higher demand for non-durable goods but is slowly spreading to other commodities as well. Industries producing mainly consumer goods have collectively supported the growth of the total industry by 0.2 p. p. this year.

Chart 4 Contributions of sub-branches to the year-on-year growth of the industrial production in the CR (adjusted for calendar effects, real, in p.p.), **production (output) in the whole industry of CR, Germany and EU27** (seasonally adj., real, base of 2021=100, right axis)



* Contribution of the remaining manufacturing industry also includes the effect of the total methodical discrepancy stemming from the change of the weights.

Source: CZSO, Eurostat

The year-on-year decline of production in manufacturing of motor vehicles and motorcycles continued for the third half-year in a row. This spring, however, the

The growth of industrial output was hampered mainly by some important investment-oriented sectors in H1. Production decreased by 0.6% in manufacturing of transport equipment and thus fell, year-on-year, for the third half-year in a row. While last year's deepening recession in this activity was related to the deteriorated situation of direct domestic subcontractors of car parts (operating within the manufacturing of motor

external sales improved. Demand has also recovered in the electric vehicle segment.

vehicles), the final vehicle manufacturers themselves also participated in it this year²⁶. However, the situation improved during Q2 here, as sales of vehicles abroad strengthened. This was reflected both in the growth of production in June (+3.9%) and in the growth of the utilization of production capacities of enterprises at the beginning of Q3. The production decreased this year (by -3.7%) after favourable developments in previous years in the investment-oriented activity manufacturing of computers, electronic and optical appliances, characterized by high import intensity and simultaneously a significantly pro-export focus. The effect of weakening external demand overshadowed in this activity the more favourable development of domestic demand related to the continued development of photovoltaics. After a short-term recovery at the beginning of this year, the output in the engineering sector, which is important in terms of weight, decreased again (by 1.3% for the entire H1). The above-mentioned investment sectors thus collectively counteracted the growth of the total industry this year by a force of 0.3 p. p.

The drop of the production of the chemical industry is mainly related to weaker demand and the decline in some energy-intensive, currently not profitable productions.

Some mostly energy-intensive industries manufacturing intermediate products were still facing deeper problems. This was mainly the case of the chemical industry, where output decreased again in H1 2025 (-3.2%, year-on-year) after a temporary stabilisation last year, which was related to weaker domestic and external demand. The lower production was also due to a gradual reduction of production capacities associated with the decline of some previously traditional productions. Output in the textile industry decreased at a similar pace (for the third year in a row), the key part of which is the production of artificial textiles for use in industry and construction. A deeper output drop also continued in the mining of building materials (-8.9%), while in the main segment of the mining industry – coal mining – the decline probably temporarily ceased (+5.7%), mainly due to last year's low base.

The largest decline of production affected the small activities of the footwear and leather industry. Manufacturing of clothing also did not fare well.

The last year's growth did not continue this year in almost all small activities focused on the creation of non-durable products. The largest plunge was recorded in manufacturing of leather and footwear products (-14.7%), solely due to a shortfall in external demand. The same factor stood behind the noticeable output decrease in manufacturing of clothing (-9.6%), the highest since the outbreak of the COVID-19 pandemic. The output of beverage manufacturers fell by an order of magnitude less. Weaker export dynamics overshadowed more favourably developing domestic demand, driven by the continued development of inbound tourism here. The production decreased by only 3%, year-on-year, in the highly export-oriented pharmaceutical industry in H1, but this represented the first half-year decline since the end of 2014. On the contrary, the output of the printing industry declined this year (-6.3%) due to weaker domestic demand.

The value of new orders showed a slight recovery in Q2 2025. A positive turnaround occurred in manufacturing of motor vehicles and related activities.

Growth of the nominal value of new industrial orders²⁷ had already slowed down during the H2 last year and came to a complete halt (-0.6%) due to weaker demand for key export branches in Q1 2025. However, there was a partial recovery in the subsequent quarter, with total orders increasing by 3.1%, year-on-year, mainly due to the external demand. Importantly, this turnover concerned the key activity of motor vehicle manufacturing (+7.0%) and the related branch of electrical engineering (+7.2%). However, demand in the metalworking industry strengthened the most (+8.4%, the highest in the last ten quarters). On the contrary, after a brief recovery at the turn of

²⁶ According to data from the Automotive Industry Association, 747 thousand personal vehicles were manufactured in the Czech Republic in H1 2025, which was 3.5% less than the record result from the same period last year. In particular, the weaker launch of production at the beginning had a negative effect (resulting from worse sales abroad, some manufacturers introduced short-term production restrictions), on the contrary, the situation gradually improved in the spring and June production (136 thousand vehicles) was already noticeably higher, year-on-year (and at the same time the second strongest in this month in history). After last year's decline, the segment of manufacturing of electric vehicles (including hybrid vehicles) has revived significantly, accounting for a fifth of total car production this year. In addition to personal vehicles, most manufacturers of other types of motor vehicles also recorded a decrease of production this year.

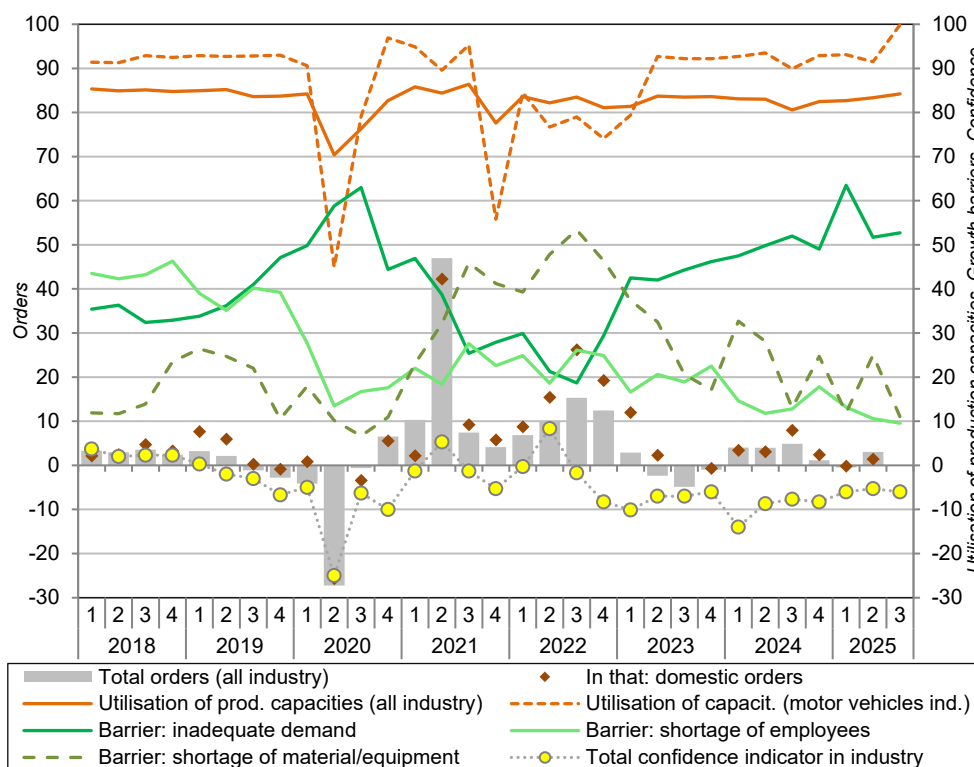
²⁷ Survey of orders is performed in twelve manufacturing activities producing mostly custom-made products, with longer production cycle and larger order stocks. Year-on-year growth rates of orders are adjusted for calendar effects, quarter-on-quarter rates also for seasonality effects.



The metallurgical and chemical industries are still struggling with long-term weakened demand.

2024 and 2025, the value of orders decreased again in engineering (-3.3%). The chemical industry is facing deeper problems, the demand fell here in both quarters of this year (by a total of 5%), both on the domestic market and abroad. A long-term, although currently relatively milder, decline of demand is then signalled in metallurgy and foundry. Among smaller branches, manufacturing of clothing suffered a deeper decrease of orders (-9.8%), while demand for paper industry products increased in Q2 (as well as in the whole of last year).

Chart 5 New orders in industry (nominal, year-on-year change in %), **utilisation of production capacities in industry**, **selected growth barriers*** (in %, right axis) and **balance of business confidence indicator in industry*** (in p.p., right axis)



* Both utilisation of production capacities and growth barriers express the level in the first month of the given quarter, business confidence balance relates to the second month in the quarter. Orders are adjusted for calendar effects; other indicators are seasonally adjusted. Businesses could have indicated more key growth barriers simultaneously.
Source: CZSO, Eurostat

Business confidence in industry has not changed this year and has remained in a slightly negative band. Expectations of production were slightly positive, but not of employment. Half of the companies were still limited by insufficient demand.

Business confidence in industry nearly has not changed since the beginning of this year and thus remained in a slightly negative band (the balance was -6 p. p. in August). Steadily less than a fifth of companies assess the current demand unfavourably (insufficient demand has been the main growth barrier²⁸ in industry for twelve quarters in a row, 53% of companies have already expressed their opinion currently). There has been a slight improvement of external demand since this spring, where there is an increase of companies with a positive assessment (already 14% of enterprises in August). Short-term expectations of production as well as the economic situation of businesses were slightly positive²⁹. However, these assumptions are far from being reflected in employment, where there is a further reduction of jobs, and a slight pessimism also prevails in the outlook³⁰. On the positive side, the utilization of firms' production capacities is growing slightly (it exceeded 84% in July and was close to the

²⁸ Businesses could have indicated more barriers simultaneously.

²⁹ In August this year, 13% of businesses expected an improvement of the economic situation in the six-month horizon, while only 7% expected a deterioration. Similar proportions were also evident in production expectations (in the three-month outlook).

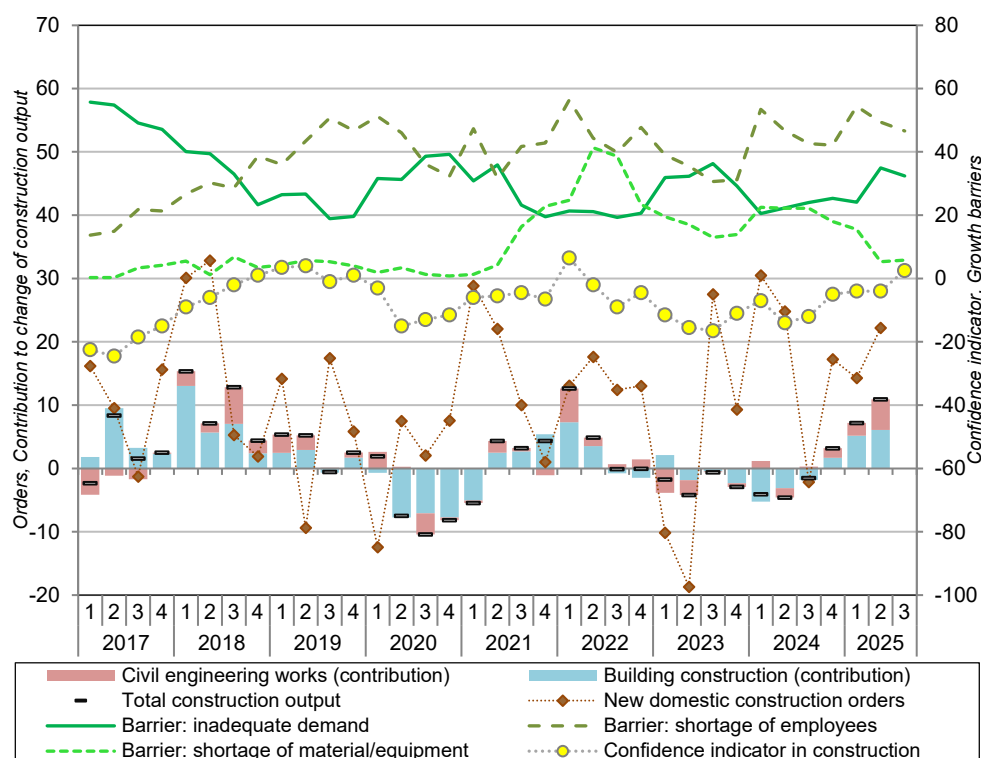
³⁰ The registered number of employees decreased by 2%, year-on-year, in H1. 15% of industrial enterprises expected a decrease of employment in the three-month outlook in August this year (only 7% an increase). At the same time, only a tenth of companies considered the lack of workers to be a growth barrier, the lowest since 2015.

level of the 2015-2019 boom period). More significant periodic difficulties with the availability of materials and production facilities have also subsided in the recent past. This, together with a partial easing of some cost pressures in the energy sector, resulted in a moderation of corporate inflation expectations.

Last year's significant recovery continued at the beginning of this year. The quarter-on-quarter growth rate of production rose to a nearly three-year high.

The situation gradually improved in construction, with clear signs of a positive turnaround already evident in the second half of 2024. At the beginning of this year, construction production³¹ increased, quarter-on-quarter, for the third time in a row and this growth accelerated (up to 3.9%). This strong recovery was supported by all segments of the activity (most notably by the construction of buildings). The growth of the construction sector hit certain limits in Q2, and the growth of its production slowed down (+0.9%). Mainly the enhanced public investment in transport infrastructure aids the development of the activity. Private investment is also likely to recover partially this year, owing to a gradual strengthening of economic growth and confidence. Price effects also play an important role here – on the one hand, cost pressures were partially eased (due to more favourable developments of the prices of some energy and also construction materials), but simultaneously real estate price growth strengthened significantly (due to increased demand on the part of households, which occurs even with relatively high mortgage rates).

Chart 6 Contributions of sub-branches to year-on-year growth of construction output (real, in p.p.), new construction orders (nominal, year-on-year, in %), balance of business confidence indicator in construction* (in p. p., right axis) and selected barriers to growth in construction* (in %, right axis)



Note: Data related to construction output are adjusted for calendar effects.

* Balance of business confidence as well as barriers to growth are seasonally adjusted and express the level in the second month of the given quarter. Businesses could have indicated more main barriers simultaneously.

Source: CZSO, Eurostat

All construction sections contributed to the rapid

Construction output increased by 9.4%, year-on-year, for the whole H1 2025 (higher growth for the first half-year was last recorded in H1 2018). Civil engineering was

³¹ Data regarding the construction output are in constant prices, year-on-year rates of growth are adjusted for calendar effects, quarter-on-quarter rates also for seasonality effects.

year-on-year growth of production this year.

The number of dwellings started and completed decreased slightly, but a small section of conversions of existing dwellings and non-residential buildings developed rapidly.

The value of new construction orders has been in fact growing for two years in a row. It is almost exclusively driven by civil engineering this year.

The permitted structures have been decreasing, year-on-year, already since last spring. It is manifested mainly in non-residential buildings and non-transport engineering structures this year.

The balance of business confidence in construction returned to the positive band after a long break. The assessment of both demand and employment prospects has improved.

developing rapidly, where output grew at a double-digit rate. However, building construction contributed more strongly to the growth of the entire division (+5.6 p. p.), where the construction of buildings was particularly successful (+13.9%). The section of specialized construction activities, which is usually the domain of smaller construction companies, strengthened by "only" 4.9%. The development of building construction has not been helped much by subdued residential construction so far this year. The number of dwellings started decreased, year-on-year, for the third year in a row (by 5.4% in H1), specifically to the lowest level in the last eight years (16.3 thousand dwellings). The number of completed dwellings also decreased slightly (-2.4%), but the volume of construction (17.1 thousand) was higher at least compared to H2 2024 (when the fewest dwellings were built in the last 8.5 years: 12.7 thousand). Family houses, the commencement and finalization of which have been in a long-term decline, play a significant role in weaker residential construction. On the contrary, construction is currently developing in the small conversion section (especially for residential buildings) and also for dwellings in non-residential buildings, which may be related to a simplified permitting process³². Prague contributed the most to the year-on-year reduction of completed dwellings this year, where only 2.7 thousand dwellings were built in H1 (on the other hand, construction in Central Bohemia revived slightly). The decrease of the number of dwellings started was most evident in the "Plzeňský" and "Jihomoravský regions", but construction grew in Prague (to 4.6 thousand, which is more than in the same period of the expansion years 2006 to 2008).

A significant part of leading indicators indicate that the development of construction production could continue in the near future. The value of newly concluded construction contracts in the Czech Republic (at current prices, in businesses with more than 50 employees) was almost a fifth higher, year-on-year, in H1 this year (it increased for the fourth half-year in a row). The current growth was driven by civil engineering construction, as the expected demand in the building construction shrank slightly (-1.1%). A higher concentration of new contracts in the section of transport engineering structures leads to the fact that the average value of an order is expanding (it amounted to 7.4 mil CZK in H1 2025 and was about one half higher, year-on-year). The total stock of work (not yet realised contracts) exceeded 400 bn CZK at the end of the Q2 this year and was a quarter higher, year-on-year. This was largely due to public procurement, whose volume expanded by 41% and accounted for almost 70% of the total inventory stock. On the positive side, the supply of work from abroad is also growing after more than three years. The development of the value of permitted constructions is less favourable. It has been declining, year-on-year, since last spring and decreased by a fifth³³ in H1 2025, primarily due to the construction of non-residential buildings and engineering "non-transport" structures. The value of permits for new residential construction also decreased (-10%). On the contrary, a more significant growth occurred only for the modernization or reconstruction of transport structures. The decreasing value of permitted structures with a growing supply of orders indicates the prolongation of the already often demanding process of construction projects preparation.

The pessimism of businesses in construction has been easing since last autumn, and the balance of business confidence returned to the positive band in June this year after more than three years, rising to +2.5 points in August. There has been an increase of the number of companies assessing the current demand favourably, nevertheless their share (16%) is still lower than that of unfavourable assessments (24%). Positive expectations of the nearest development of construction activity were also reflected in plans for

³² 3,862 dwellings were built by the modification of existing family and residential buildings in H1 this year (the highest number since H2 2000), and 526 dwellings in non-residential buildings (the highest number since H1 2009).

³³ The absolute number of building permits has also declined at a similar pace this year.

recruitment³⁴ (the highest in the last three and a half years). Expectations of the company's economic situation remained slightly positive³⁵. However, the entire industry is plagued by chronic growth barriers³⁶. The most significant barrier is the shortage of (especially qualified) labour force already seven years in a row (almost half of companies cited it as one of the barriers). Insufficient demand limits a third of companies³⁷, and this share has increased slightly, year-on-year. On the contrary, it is positive that the problem of material or equipment shortages, which was significant between 2021 and 2024, has largely disappeared this year. This contributed to the stabilisation of the prices of building materials and the moderation of the growth of prices of total construction production³⁸.

Quarter-on-quarter growth of sales in services accelerated at the beginning of this year.

There was a positive turnaround of demand for services at the turn of 2023 and 2024, and this development continued at the beginning of this year. The stabilisation of the level of consumer prices helped to restart growth of real wages of employees, which was mirrored in a more favourable financial situation of households and consequently stimulated their consumption. Services were also positively affected by slightly growing corporate demand. Quarter-on-quarter growth of sales in services³⁹ accelerated at the beginning of this year (to 1.6%) and continued at a very moderate pace in Q2. While almost all major activities assisted the development of services at the beginning of the year (information and communication the most), mainly accommodation and food service activities in Q2. Total sales in services were now slightly above the level from the peak of the pre-pandemic boom⁴⁰.

This year's year-on-year growth of sales in services was mainly driven by the ICT branch, where telecommunications fared particularly well.

Sales in services increased by 2.6%, year-on-year, for the entire H1 2025, the most since the end of 2022. This growth was mainly driven by information and communication (contribution +1.0 p. p., branch growth +4.2%). The ICT sector benefited mainly from a significant recovery of telecommunications performance (+10.0%, the highest since 2005), but sales also grew rapidly in publishing activities (mostly in SW area) and also information activities⁴¹, in which the previously dynamic growth of demand had stopped in the previous three years. In long-term developing IT activities⁴², sales grew more moderately this year (+2.4%). Sales were almost stagnant⁴³ after last year's slump⁴⁴ in the small ICT segment – the motion picture and music publishing activities and were lower by more than a third compared to 2019. Sales fell by almost a seventh this year compared to last year in television programming and broadcasting activities, in which demand did not fall significantly during the "pandemic year" of 2020 as one of the few sub-sectors of services.

³⁴ 15% of construction companies planned to hire new workers in August (in a three-month horizon, regardless of seasonality), and only 4% to lay off workers (it was analogously by 8% vs. 16% in the same period last year). Companies in civil engineering construction were the most optimistic in this regard. The registered number of employees in medium-sized and larger enterprises (with 50 or more employees) increased by 0.3%, year-on-year, in June this year.

³⁵ In the six-month outlook, 14% of companies expected an improvement, 7% a deterioration. This is a similar assessment as at the beginning of this year, but more favourable than last summer.

³⁶ Only less than a fifth of companies did not mention any of the possible growth barriers. This share, which is one half lower than in the EU or the euro area, has remained essentially unchanged in the Czech Republic over the past eight years.

³⁷ As with the shortage of labour force, weak demand has plagued companies in the building construction segment the most.

³⁸ In August, 18% of construction companies expected (in a three-month outlook) to increase the prices of their own production, compared to 32% a year earlier.

³⁹ Without trade, financial and insurance activities, science, research and public services. All data for services are in constant prices, year-on-year data are adjusted for calendar effects, quarter-on-quarter data are adjusted for seasonal effects (including the effect of the number of working days).

⁴⁰ Compared to Q2 2019, total sales (after seasonal adjustment) were 4.0% higher in Q2 2025. Of the main service activities, mainly information and communication (+15.3%) and professional, scientific and technical activities (+6.1%) exceeded this level. On the contrary, sales still lagged behind the most in accommodation, food service activities (-13.4%) and in administrative and support service activities (-7.2%).

⁴¹ They consist mainly of activities linked to the web portals, news press offices and agencies or data processing and hosting.

⁴² They mainly include programming, consultancy in IT area or computer facilities management activities.

⁴³ Segment of motion picture distribution prospered. According to the figures from the Union of Motion Picture Distributors, the gross nominal sales of the domestic cinema operators increased by 14.4%, year-on-year, in H1 this year (accompanied by jump of total attendance by 11.9% and actual stagnation of the number of performances). Nevertheless, the total attendance was lower by 32.4% and sales by 15.6% compared to year 2019.

⁴⁴ This drop of demand may have been related to the repercussions of a longer strike in Hollywood here (from the second half of 2023). The development of domestic sales of the motion picture and music publishing activities generally quite fluctuates which is related to irregular invoicing.



Sales growth in advanced business services accelerated this year. Demand grew the most in the area of legal activities. On the contrary, a mild demand slump continued in advertising activities.

The development of demand for business services was concentrated almost exclusively in the professional, scientific and technical activities this year, where year-on-year sales growth accelerated to 3.7% in H1 (the strengthening of total sales in services was supported by 0.8 p. p.). Except for advertising activities⁴⁵, all sub-sectors were successful here. The development of the entire division was driven by activities of head offices and management consulting activities, where sales growth accelerated to 12.9% (the highest pace since the end of 2021). Demand in long-term growing legal and accounting activities has also recently strengthened (to 5.2%)⁴⁶. Sales increased only slightly (+1.6%) despite the current rapid development of construction in architectural and engineering activities. More dynamic demand growth continued in the diversified segment of other professional, scientific and technical activities (+7.1%)⁴⁷ for a second year in a row, and sales matched the level of the same period of 2019 here in Q2 2025 alone.

All sub-sectors except air transport contributed to the slight growth of sales in transportation and storage.

The last division that significantly supported the growth of services this year was transportation and storage, where sales increased by 2.5%, year-on-year, and contributed 0.6 p. p. to the growth of services. The weight-important segment of warehousing (including other transportation support activities) had a decisive influence here, in which sales increased by 3.9% and were higher by about a sixth compared to 2019. The situation was similar in both respects for postal and courier activities, which benefit from the current dynamic development of sales via internet. Sales grew more freely in land transport and transport via pipeline this year (+1.8%), when demand grew especially in passenger rail transport and in road freight transport. In the marginal segment of air transport, the rapid recovery of demand from previous years did not continue and sales decreased slightly, year-on-year (by 1.6%). They were still slightly behind year 2019 (−7.9%), which also applies to water transport (−17.4%).

Moderate year-on-year growth of sales in food service activities has resumed this year. However, a slight decline of sales continued in accommodation for the fourth half-year in a row.

Sales increased slightly again, year-on-year, in H1 2025 (+1.2%) in accommodation, food service activities after a slight decline of demand in H2 last year. Only the food service activities contributed to this recovery, helped by rising household incomes. On the contrary, sales of facilities whose predominant economic activity consists of accommodation decreased slightly (by 0.4%) and the trend of weaker demand persisted here for the fourth half-year in a row. This may also be related to the rapid increase of prices of these services⁴⁸. In-kind indicators in the area of inbound tourism indicate slightly better results than real sales. Domestic providers of mass accommodation facilities (MAF) registered 6.3 mil guests in Q2 (in that 2.9 mil were from abroad), who spent 15.0 mil nights here. There was an increase in both guests (+5.6%) and overnight stays (6.9%), year-on-year⁴⁹.

⁴⁵ Unadjusted sales fell by less than 4.5%, year-on-year, here this year (similarly on average for the whole year 2024). Strong price growth was behind the decline of demand. At current prices, advertising revenues increased by 5.4% in H1 this year.

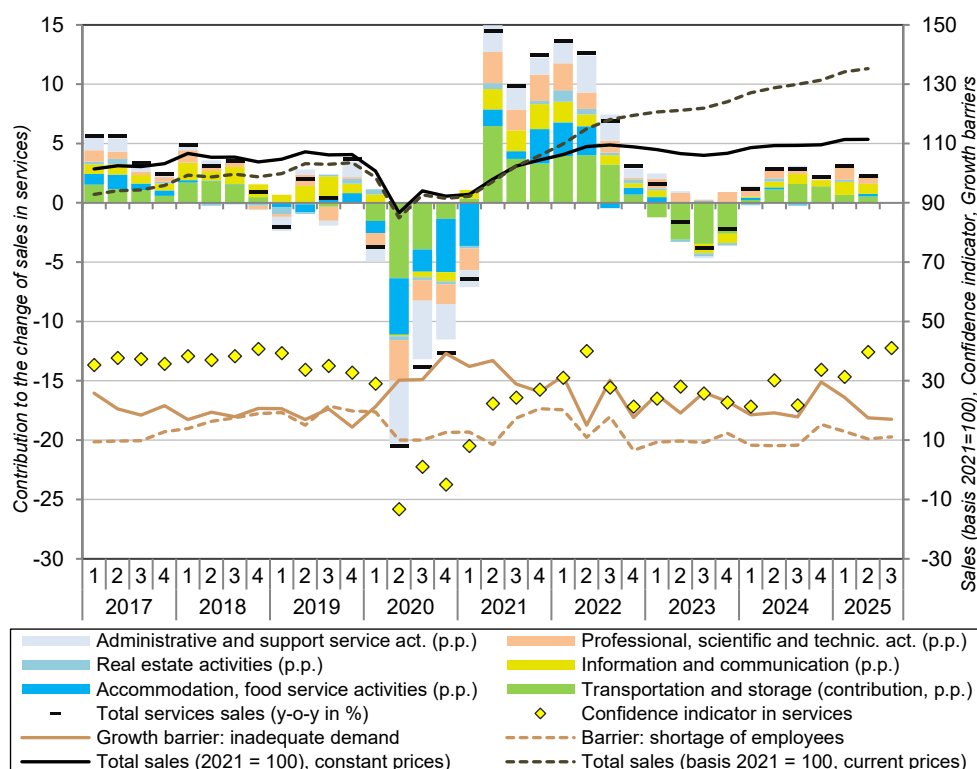
⁴⁶ Compared to 2019, sales were more than a fifth higher this year.

⁴⁷ This sub-branch with significant share of small businesses mainly includes brokering activities, design, translation and photographic activities or activities of construction supervision.

⁴⁸ Prices of accommodation services increased by 8.5%, year-on-year, in Q1 2025 and prices of food services by 4.9%, year-on-year. Compared to 2015, they were 95% higher for both segments in March this year, while prices in the total consumer basket went up by "only" 54% over the same period.

⁴⁹ It was only the second time since the pandemic subsided that the average number of overnight stays did not fall, year-on-year (and for the first time thanks to domestic and foreign guests simultaneously) and currently stood at 2.38 nights (2.70 three years ago). Demand for accommodation in MAF grew more rapidly, year-on-year, in Q2 this year than in Q1 (when the number of overnight stays increased by only 0.6%). The low pace at the beginning of the year was related to this year's postponement of Easter (up to the second half of April, while it fell at the turn of March and April last year) and therefore a higher comparison basis. The number of all guests and their overnight stays increased by about 4%, year-on-year, for the entire H1 this year. While the growth rate for overnight stays was comparable to that of H1 of last year, it was one half lower for the number of guests. The number of domestic guests and their overnight stays increased slightly over 5%, year-on-year, in Q2 2025, the number of non-residents was higher by 6.2% (and their overnight stays by as much as 8.8%). Even so, the overnight stays of foreigners still lagged slightly behind the level from the record year 2019 (by 1.6%), while the total number of guests was higher by almost a tenth.

Chart 7 Contributions of sub-branches to year-on-year change of sales in services* (real, in p. p), **total sales in services*** (2021=100, right axis), **balance of business confidence indicator in services**** (in p. p., right axis), **barriers to growth**** (in %, right axis)



Note: All data are seasonally adjusted, only contributions of sub-branches to the growth of sales are adjusted solely for calendar effects.

* Without branches trade, financial activities, insurance activities, science, research and public services.

** Also involves the financial sector. Balance of business confidence as well as the barrier to growth express the level in the first and in the second month of the given quarter (growth barriers and balance of confidence, respectively). Businesses could have indicated more key barriers simultaneously.

Source: CZSO, Eurostat

The previously dynamic growth of sales of travel agencies continued to slow down. Rental and operating leasing maintained stable demand.

Sales did not change significantly, year-on-year, in real estate activities in H1 this year (+0.8%) and continued the trend from the previous year. Sales increased only very slightly this year (+0.5%) in the administrative and support service activities, which usually provide services with lower added value mainly to businesses. Office administrative, office support and other business support activities⁵⁰ contributed the most to higher demand here. The long-term development of travel agencies also continued. However, their sales increased much more moderately, year-on-year, this year than in previous years (+0.6%). Still, they exceeded the level from 2019 already

Total demand for tourism in the Czech Republic, measured by the number of overnight stays in MAF, increased, year-on-year, in all types of monitored establishments (for both domestic and foreign clients) in Q2 this year – mostly due to warm weather in June in cottage settlements and tourist hostels (+14.2%) and campsites (+11.5%). However, the growth of all overnight stays was mainly driven by 4* hotels (with a growth of 6.3%), which accounted for a third of all demand (one half for non-residents). Among the regions, total demand strengthened the most in the “Ústecký” and “Pardubický regions” (by 12 to 13%), the least in the “Liberecký region” and Central Bohemia (both by 3%). However, a slight decline of foreign clientele was recorded in the “Vysočina region” (–5%) and a deeper decline in the “Moravskoslezský region” (–8%), where last year's higher basis was evident (due to the hockey World Championship held in Prague and Ostrava in May). Germans contributed the most to the growth of demand from non-residents in Q2 2025, with the number of their overnight stays increasing by 9%, year-on-year (while decreasing by 8% in Q1). A higher increase of nights spent in the Czech Republic was also recorded for guests from other nearby countries – Slovakia (16%), Hungary (19%), Austria (10%), as well as, for example, Spain (18%), Great Britain (13%), but France only 6% and Italy 2%. Among countries outside Europe, the increase of demand was significant especially from the USA (9%), China (27%), Israel (12%), South Korea (12%), India (18%) and Japan (26%). Reduction of overnight stays occurred only for 10 of the 58 monitored source territories. However, within the more important groups in terms of weight, only demand from Taiwan (–9%) and Switzerland (–12%) was involved. Comparing this year's Q2 with the same period of 2019, almost half of the monitored countries show still lower demand in the Czech Republic: the most Russia (–96%), China (–63%), Japan (–48%), among other important non-European countries then South Korea (–26%), India (–18%) and Australia (–3%), and from Europe then mainly the Nordic countries: Sweden (–22%), Finland (–19%), Denmark (–18%), Norway (–15%), but also France (–11%), Italy (–3%) and Spain (–1%).

⁵⁰ These include, for example, the organization of conferences and exhibitions, activities of collection agencies and credit bureaus, but also e.g. call-centre activities.



The decrease of demand for security and investigation activities has deepened significantly.	by a tenth ⁵¹ . Higher demand from both households and businesses ⁵² was reflected in growth of rental and operating leasing sales (+5.3%), which thus followed last year's recovery. By contrast, weaker demand persisted for a number of less sophisticated business services. The noticeable decline of employment placement agencies continued, their sales reduced mostly at a double-digit pace for the fourth year in a row ⁵³ . The pressure to cut costs, also associated with the development of digitalization, was reflected in a decline of sales of security and investigation activities. It has been ongoing for two and a half years and it deepened to 7.6% in H1 this year (the lowest since the end of 2009).
Quarter-on-quarter growth of retail sales accelerated in Q2, mainly due to fuel sales and sales via Internet.	Retail sales ⁵⁴ , which have been increasing continuously, quarter-on-quarter, since middle of year 2023, further increased by 0.8% in Q1 2025 this year (they strengthened similarly at the end of last year). Their pace accelerated in the subsequent period (to 1.5%). The current growth has occurred across virtually all retail sections ⁵⁵ . The current level of sales was slightly above the peak of the pre-crisis boom (Q4 2019), specifically by 1.0% ⁵⁶ , nevertheless it still lagged behind (by 2.3%) the absolute peak from the period before the onset of the energy crisis (Q3 2021).
Double-digit year-on-year growth of sales via Internet persisted. Very favourable fuel prices in the Czech Republic have stimulated both Czech and foreign motorists to higher demand.	Sales increased by 4.2%, year-on-year, in H1 2025 and were driven mainly by higher demand for non-food goods similarly to the whole last year (contribution to growth +2.6 p. p.), which was mainly affected by sales in the area of sales via Internet or mail order houses. They increased by 12.8% and have grown at a double-digit rate continuously since the beginning of last year ⁵⁷ . Within specialised stores ⁵⁸ , demand for cosmetics and toilet products (+9.2%) as well as pharmaceutical and medical goods (+5.9%) continued to increase rapidly. Demand for fuels was growing, which stemmed mainly from their favourable price developments ⁵⁹ . The year-on-year growth of their retail sales reached 10.0% ⁶⁰ (the highest pace since the second half of 2008) and contributed 1.2 p. p. to the growth of the total retail sector (i.e. almost three times compared to, for example, the sale of food). However, sales in some assortment groups of stores only stagnated – with computer and communication equipment, with products mainly for households ⁶¹ , and with clothing, footwear and leather goods. Sales of food sales increased only slightly, year-on-year, this year, and their pace was only a half of last year's H1 (+1.2%). The pace moderated exclusively in large non-specialized stores
Growth of sales of food sales slowed down, but there was a recovery in small, specialized stores.	

⁵¹ If the higher interest of households in organised travel in previous years was related to the compensation of restrictions imposed during the pandemic period, it has stemmed mainly from their improved financial situation and higher consumer confidence in recent quarters.

⁵² Year-on-year, sales (not-adjusted) increased the most for rental and leasing of other machinery, equipment and trucks (+6.7%), the least for rental and leasing of cars (+1.2%), where demand rather stagnated as in the previous two years.

⁵³ The decline of sales also occurred amid a high growth of the number of working foreigners in the Czech Republic. Refugees from Ukraine have played a significant role in it in the last three years. Due to the temporary protection status granted to these persons, their employment in the Czech Republic is administratively simpler (compared to other groups of migrants from the so-called third countries) and they can thus find work "directly" (without an intermediary). In addition to the above, reduced demand from employment agencies on the part of key manufacturing industries may also contribute to the decline of sales.

⁵⁴ All year-on-year rates of retail sales are given at constant prices and adjusted for calendar effects, quarter-on-quarter rates are seasonally adjusted (including the effect of the number of working days). Retail trade includes only CZ-NACE 47 activities.

⁵⁵ Retail trade in specialized stores in some assortment groups presented an exception, especially computer and communication equipment (−0.4%) and clothing, footwear and leather goods (−0.7%).

⁵⁶ This is primarily related to the decline of sales of food, both in large chains (−7.4%) and smaller specialised stores (−21.4%) and some assortment groups of non-food goods in specialised stores: especially clothing, footwear and leather goods (−25.3%), products mainly for households (−12.1%) and products for culture and recreation (−9.3%). By contrast, the current aggregate demand for non-food goods is clearly above the level of Q4 2019 (+6.1%), mainly due to sales via Internet or mail order houses (+55.8%) and specialty stores with cosmetics and toiletries (+37.9%) and pharmaceutical and medical goods (+25.8%). In addition, fuel sales were higher (+13.4%).

⁵⁷ Advancing digitalization, modernization in logistics, as well as increasingly sophisticated targeted marketing contribute to the development of these sales.

⁵⁸ In addition, sales growth in the marginal section of non-specialized stores with a predominance of non-food goods continued for the fifth year in a row (in H1: +7.5%). It typically focuses on offering diverse, rather smaller goods at discount prices.

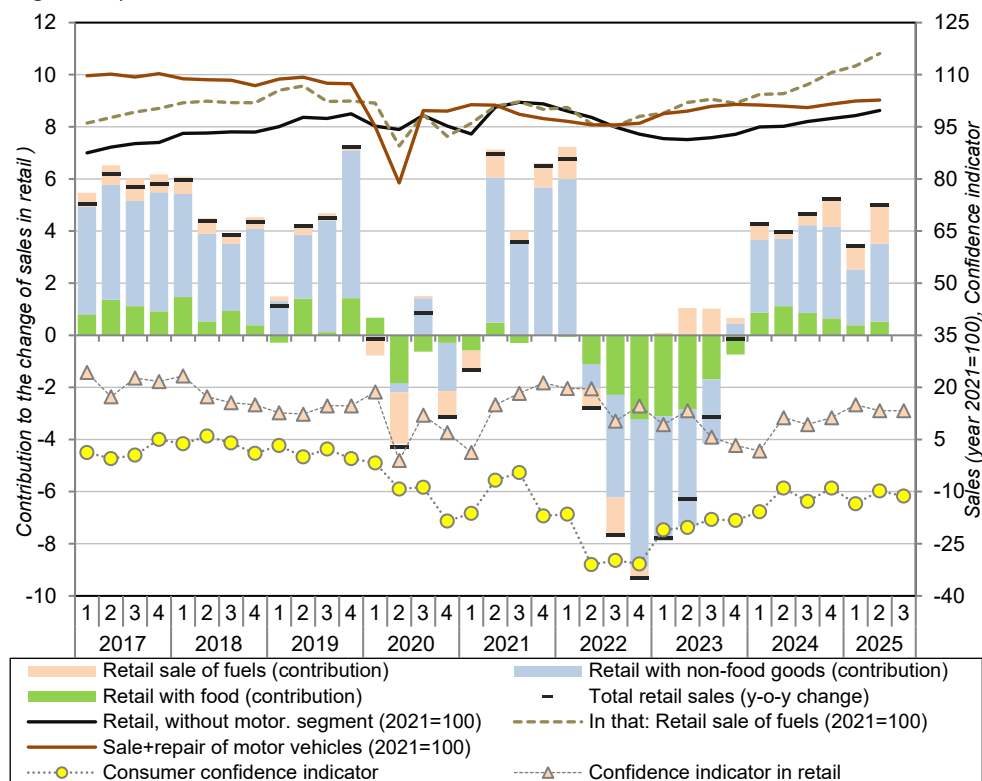
⁵⁹ The consumer price of diesel reached an average of CZK 32.70/l in May this year, and Natural 95 petrol was sold at petrol stations for approximately CZK 33.90/l. In the case of diesel, this was the lowest value since June 2023 and in the case of Natural 95 petrol even since September 2021. In addition to domestic households and companies, foreign carriers that realise transit transport through the Czech Republic have also reacted to this development.

⁶⁰ However, sales at current prices increased by only 1.4% in H1 2025.

⁶¹ These contain metal hardware, building materials, paints, glass, DIY supplies, electro supplies, furniture, lighting, carpets or home textiles.

(chains), while in the small segment of specialized stores⁶², sales increased by 1.9% and grew for the first time since mid-2022.

Chart 8 Contributions of sub-branches to year-on-year change of sales in retail trade* (real, in p.p.), sales in retail trade and motorist segment of trade (real, base of 2021=100, right axis), balance of business and consumer confidence indicator*** (in p.p., right axis)**



* Sales are adjusted for calendar effects.

** Sales are adjusted for both seasonal and calendar effects.

*** Consumer confidence indicator balance is seasonally adjusted and expresses the position in the second month of the given quarter.

Source: CZSO

Very moderate growth of demand continued in manufacturing of motor vehicles and motorcycles section of the trade. However, sales of parts and accessories continued to decline.

In the manufacturing of motor vehicles and motorcycles section of trade, sales increased by 1.5%, year-on-year, in H1 year (only a slight increase of demand was evident for most of last year). In the key section of motor vehicles and motorcycles sales (apart from motorcycles), the result of which depends mainly on corporate demand, sales increased by 2.2% (compared to the pre-crisis peak in H1 2017, they were still lagging behind by more than 7%). Demand also grew slightly in other manufacturing of motor vehicles and motorcycles section, except for parts and accessories, where sales fell by 1.1% and declined for the sixth consecutive half-year.

⁶² These include, for example stores aimed at meat products, pastries, confectionery products or beverages. However, tobacco shops have the greatest weight here. Total sales increased this year for the first time after almost a three-year period of slump.

4. External Relations

Exports of goods grew more moderately in Q2 than in Q1.

The total value of exports of goods⁶³ increased by 103.4 bn CZK (4.4%) in H1 2025 and reached 2,445.3 bn CZK. The recorded increase mostly resulted from the development in Q1 of the year, as exports increased by only 33.7 bn CZK (2.8%) to 1,220.2 bn CZK in Q2 alone. The different dynamics of exports in Q1 and Q2 were also influenced by efforts to stock up on the US market due to tariffs, which stimulated exporters in Europe in Q1⁶⁴. Export prices did not have a significant impact on the year-on-year development of the value of exports and dragged down the quarter-on-quarter increase⁶⁵. According to seasonally adjusted data, the value of exports increased by 0.1%, quarter-on-quarter, marking a significant weakening compared to the previous quarter.

Mainly exports to Germany moderated.

The percentage increase of exports to EU countries (+53.4 bn CZK, 2.9%) was significantly weaker in H1 than in the case of exports outside the EU (+50.0 bn, 10.1%). This was caused by the solid increases of exports to the United Kingdom (+9.5 bn CZK, 8.7%) and the United States (+8.5 bn, 13.3%), as well as a sharp increase of the value of exports to Ukraine (+8.3 bn, 45.1%). Exports to the EU grew mainly due to exports to Germany (+27.6 bn CZK, 3.9%), followed by the less usual Denmark⁶⁶ (+6.5 billion, 39.6%) in H1. Imports to Spain (−3.8 bn CZK, −5.4%), Hungary (−3.5 bn, −4.8%) and the Netherlands (−3.5 bn, −4.7%) declined the most. Growth of exports to the EU (+18.8 bn CZK, 2.0%) and outside the EU (+14.8 billion, 5.8%) weakened in Q2 alone. Exports to Ukraine contributed the most to the total increase of exports (see Table 2), for which the heightened year-on-year dynamics has persisted since the end of 2024. Belgium, Poland, Austria and Denmark also made a solid contribution to the increase of exports. Year-on-year growth of exports to Germany weakened after a strong Q1. Stronger declines of exports were recorded in the Netherlands and China, and exports to Latvia also fell by more than 1 bn CZK.

Table 1 Sections of CPA classification with impact on goods exports in Q2 2025 (year-on-year) **Table 2 Countries with largest impact on exports of goods in Q2 2025 (year-on-year)**

	bn CZK	%		bn CZK	%
Motor vehicles (excl. motorcycles) and parts	+19.7	+5.8	Ukraine	+4.0	+40.3
Computers, electron. and opt. appliances and equipment	+5.6	+5.4	Belgium	+3.8	+15.9
Other transport equipment	+4.3	+20.2	Poland	+3.4	+4.0
Food products	+3.5	+7.6	Austria	+3.4	+7.6
Electric equipment	+2.5	+2.1	Denmark	+3.2	+34.7
Coke and refined petroleum products	+2.2	+22.3	Germany	+3.0	+0.8
Basic pharmaceutical products	+1.6	+8.7	Italy	+2.8	+5.9
Other manufacturing products	+1.4	+5.1	United States of America	+2.3	+6.7
Electricity, gas, steam and air conditioning	+1.1	+14.0	Turkey	+1.9	+9.8
Wood and wood products excl. furniture	+0.7	+5.5	United Arab Emirates	+1.7	+35.7
Clothing	−0.9	−14.8	Portugal	+1.6	+38.4
Machinery and equipment, n.c.e.	−0.9	−0.7	Republic of Korea	+1.4	+48.7
Collection, treatment, management and disposal of waste	−1.2	−8.8	Sweden	+1.2	+6.8
Product of agriculture and hunting	−1.8	−12.0	China	−2.4	−16.4
Chemicals and chemical products	−2.4	−4.2	Netherlands	−3.7	−9.6

Source: CZSO

Source: CZSO

⁶³ Data for international trade with goods are recalculated using the updated method based on higher rate of detail since year 2020, see <https://csu.gov.cz/update-of-the-compilation-method-international-trade-in-goods-change-of-ownership>. Unless stated otherwise, all figures are without seasonal adjustment and in current prices.

⁶⁴ The effect of this stock up was particularly evident in Q1 this year in the significant acceleration of year-on-year growth of exports of goods to Germany, which is the largest European exporter to the USA and the Czech Republic is its subcontractor. Exports from the Czech Republic to the USA strengthened considerably throughout last year, and this trend only continued in Q1 this year. Nevertheless, the increases of Czech exports to both countries plunged in Q2.

⁶⁵ Export prices decreased by 0.1%, year-on-year, in Q2 2025 and by 1.7%, quarter-on-quarter.

⁶⁶ Motor vehicles in particular, but the strengthening is also evident in the export of pharmaceutical products and computers, electronic and optical appliances.

Motor vehicles drove export growth in the total H1 as well as Q2 itself.

Exports of motor vehicles and motorcycles grew the most, year-on-year (+42.0 bn CZK, 6.2%) in H1, followed by computers, electronic and optical appliances (+13.1 bn, 6.4%), electricity, gas, steam and air-conditioning (+11.0 bn, 62.0%) and electrical equipment (+10.5 bn, 4.5%). The largest decrease was recorded for agricultural and hunting products (–CZK 2.1 bn, –7.0%). The dominant motor vehicles broadly maintained their previous growth rate in Q2 (see Table 1). Exports of computers, electronic and optical appliances and other transport equipment also grew robustly in Q2. A more significant decline was recorded for exports of chemicals, agricultural and hunting products, or machinery and equipment. The slowdown of total export dynamics in Q2 was mainly caused by the exports of electricity, electrical equipment (both of which slowed down), machinery and equipment, and chemicals (both of which switched growth to decline).

Imports grew stronger, year-on-year, compared to exports.

The value of imports of goods increased by 118.4 bn CZK (5.4%) to 2,306.9 Bn CZK in H1 2025. The Q1 also contributed more to this increase in case of imports, as imports increased by 44.5 bn CZK (4.0%) to 1,159.9 bn CZK in Q2. Simultaneously, import prices dropped⁶⁷. The value of imports of goods decreased by 1.1%, quarter on quarter, in Q2 (seasonally adjusted). Again, imports from non-EU countries grew more significantly, year-on-year, in H1 (+59.7 bn CZK, 7.6%). Imports from the EU were higher by 48.8 bn (3.5%). Imports from China (+29.3 bn CZK, 11.9%), Poland (+10.7 bn, 5.2%), Norway (+10.7 bn CZK, 35.9%) and Germany (+10.3 bn, 2.0%) grew the most in H1. A deep slump was recorded for imports from Russia in H1 (–17.5 bn, –51.9%). Imports from China grew the most, year-on-year, in Q2 alone (see Table 4), but the increase weakened significantly compared to the previous three quarters. On the contrary, there was a significant recovery of import dynamics in case of Norway. A weaker increase of imports compared to Q1 was also recorded for Poland, Germany and Austria. Countries that contributed significantly to the growth of imports in Q2 featured a number of Asian destinations – Turkey, Singapore, Kazakhstan and Malaysia. Imports from Russia, Taiwan and the United States of America fell significantly.

Table 3 Sections of CPA classification with highest impact on goods imports development in Q2 2025 (year-on-year)

	bn CZK	%
Electrical equipment	+13.5	+12.6
Crude petroleum and natural gas	+11.0	+31.7
Metalworking products	+10.4	+20.9
Food products	+4.9	+8.1
Motor vehicles (excluding motorcycles) and parts	+4.0	+2.3
Electricity, gas, steam and air conditioning	+2.2	+68.2
Other manufacturing products	+2.2	+9.9
Product of agriculture and hunting	+1.9	+11.3
Tobacco products	+0.8	+15.9
Basic metals	+0.7	+0.8
Hard coal, brown coal and lignite	–0.6	–18.5
Textiles	–0.6	–4.5
Other transport equipment	–0.7	–3.9
Chemicals and chemical products	–2.0	–2.2
Coke and refined petroleum products	–6.1	–21.5

Source: CZSO

Table 4 Countries with largest impact on imports of goods in Q2 2025 (year-on-year)

	bn CZK	%
China	+8.5	+6.7
Norway	+8.4	+51.2
Turkey	+2.9	+21.4
Singapore	+2.8	+217.5
Poland	+2.5	+2.3
Canada	+2.4	+122.9
Germany	+1.8	+0.7
France	+1.6	+4.8
Kazakhstan	+1.6	+47.3
Malaysia	+1.6	+28.6
Switzerland	+1.4	+11.4
Austria	+1.3	+4.4
Taiwan	–5.3	–35.4
United States of America	–5.3	–15.0
Russia	–8.2	–60.8

Source: CZSO

Electrical equipment supported the import growth the most.

The sections electrical equipment⁶⁸ (+33.4 bn CZK, 16.2%), fabricated metal products (+24.7 bn, 25.1%) and food products (+11.0 bn, 9.3%) influenced the year-on-year import growth in H1 the most. On the contrary, imports of coke and refined petroleum products decreased (–6.4 bn CZK, –12.2%). Electrical equipment also contributed the most to import

⁶⁷ Import prices decreased by 0.5%, year-on-year, in Q2 and decreased by 2.5%, quarter-on-quarter.

⁶⁸ Batteries were imported to a larger extent, especially for electric cars.



growth in Q2 alone (see Table 3), although the increase shrank compared to the previous quarter. On the contrary, the value of crude oil and natural gas imports rose notably, year-on-year, after nine quarters of declines. Imports of metalworking and food products also maintained a strong increase. Imports of coke and refined petroleum products and chemicals fell the most, year-on-year, in Q2.

The surplus of the international trade with goods decreased, year-on-year.

The balance of international trade with goods reached a surplus of 138.3 bn CZK for the whole H1. However, due to the significant excess of the growth rate of imports over exports, the positive balance deteriorated by 14.9 bn CZK, year-on-year. Q2 stood mostly behind this deterioration, when the balance attained a surplus of 60.2 bn CZK, which decreased by 10.7 bn CZK, year-on-year. According to seasonally adjusted data, the balance of international trade with goods improved, quarter-on-quarter, in Q2. Trade with non-EU countries contributed to the year-on-year deterioration of the balance of international trade with goods in H1 (−9.7 bn CZK), while the balance of trade with the EU improved by 4.6 bn CZK⁶⁹. Trade with China (−32.0 bn CZK) and Norway (−12.5 bn CZK) contributed the most to the deterioration of the balance in H1. In contrast, the balance improved for trade with Germany (+17.3 bn CZK, majority of improvement occurred in Q1), Russia (+16.0 bn) and the United States (+11.5 bn). The balance of trade with EU countries improved by 2.4 bn CZK, year-on-year, in Q2 alone, while with countries outside the EU it deteriorated by 4.5 bn CZK⁷⁰. In particular, trade with China (see Table 6), Norway and the Netherlands worsened, year-on-year. On the contrary, a significant improvement of the balance was recorded for trade with the United States, Russia and Taiwan.

Table 5 Sections of CPA classification with highest impact on international trade with goods balance development in Q2 2025 (year-on-year)

	bn CZK		bn CZK
Motor vehicles (except for motorcycles) and parts	+15.7	United States of America	+7.6
Coke and refined petroleum products	+8.4	Russia	+7.3
Computers, electr. and opt. appliances and equipment	+5.4	Taiwan	+5.1
Other transport equipment	+4.9	Ukraine	+3.5
Basic pharmaceutical products	+1.1	Belgium	+3.3
Machinery and equipment, n.c.e.	−1.0	Denmark	+2.5
Other non-metal mineral products	−1.0	Republic of Korea	+2.2
Electricity, gas, steam and air conditioning	−1.1	Italy	+2.1
Clothing	−1.3	Austria	+2.0
Food products	−1.4	Hungary	−1.9
Collection, treatment, management and disposal of waste	−1.5	Canada	−2.0
Products of agriculture and hunting	−3.7	Singapore	−3.2
Metalworking products	−10.6	Netherlands	−4.4
Crude oil and natural gas	−11.0	Norway	−8.2
Electrical equipment	−11.0	China	−10.9
Source: CZSO		Source: CZSO	

Even a massive improvement of the result of the motor vehicle and motorcycle trade was not sufficient to increase the total surplus.

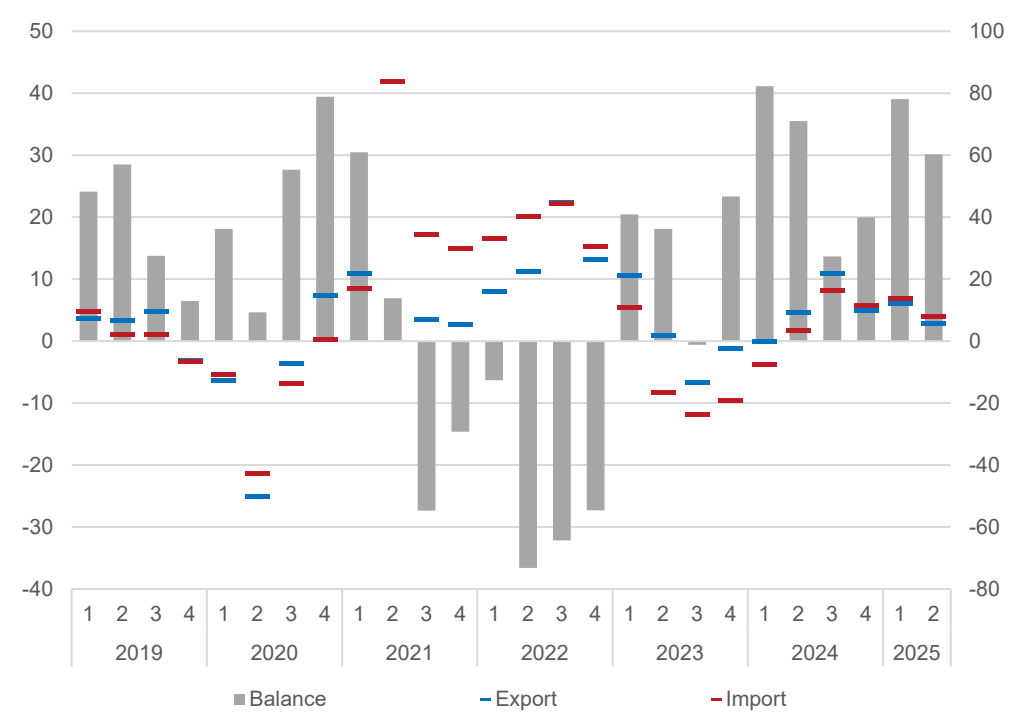
Trade with metalworking products (−24.1 bn CZK), electrical equipment (−22.9 bn CZK), crude oil and natural gas (−7.2 bn CZK) and agricultural and hunting products (−6.0 bn CZK) contributed the most to the year-on-year balance deterioration in H1. On the contrary, the balance of trade with motor vehicles and motorcycles (+37.1 bn CZK), coke and refined petroleum products (+9.5 bn) and computers, electronic and optical appliances (+7.9 bn) improved. The trade balance deteriorated for most items in Q2 itself, most notably for crude oil and natural gas (see Table 5), and the deficit deepened for the first time since Q4 2022. Furthermore, the result of trade with metalworking products and electrical equipment

⁶⁹ The impact on the balance for the "unspecified" category also increased in H1. Trade with crude oil and natural gas, which could not be territorially classified, was captured here. The trade balance within this category deteriorated by 9.8 bn CZK, year-on-year, in H1.

⁷⁰ The balance deteriorated by 8.6 bn CZK in case of unspecified origin of goods.

deteriorated significantly, year-on-year. On the contrary, the surplus of trade with motor vehicles increased significantly, and the result of trade in coke and refined petroleum products, other transport equipment and computers, electronic and optical appliances also showed a solid improvement.

Chart 9 Export and import of goods (y-o-y change, in %) and balance of international trade with goods (in bn CZK, right axis)



Source: CZSO



5. Prices

Price level went up in the economy in Q2.

The total price level in the economy measured by the GDP deflator increased by 3.3%, year-on-year, in Q2 2025. The increase strengthened slightly compared to the previous quarter. The year-on-year growth of the consumption price level strengthened (3.4%) under the influence of general government consumption prices (3.9%). The increase weakened slightly to 3.1% for households. The year-on-year price growth of capital expenditure was significantly higher (3.0%), although growth of the price level of expenditure on fixed capital formation weakened to 3.9%. Year-on-year terms of trade reached 100.4% in Q2 and terms of trade with goods (100.3%) as well as services (100.9%) were positive. Quarter-on-quarter growth of the price level in the economy strengthened to 1.3% in Q2. The total quarter-on-quarter increase of consumer prices remained unchanged (0.9%) – the decrease of the pace for households (0.5%) was offset by an acceleration for general government (1.9%). The price level of gross capital formation increased by 2.8%, quarter-on-quarter, in that fixed capital increased by 2.0%. Quarter-on-quarter terms of trade reached 100.1%, of which 100.3% were trade with goods and 98.8% with services.

Year-on-year growth of consumer prices slowed down in Q2.

The year-on-year increase of the consumer price index weakened to 2.4% in Q2 2025. The slowdown of the year-on-year dynamics was mainly due to a decline of transport prices and a slowdown of the growth of prices of alcoholic beverages and tobacco. The year-on-year development in the rest of the consumer basket was largely similar to the previous quarter. Food and non-alcoholic beverages maintained the strongest impact on total consumer price growth and the contribution of housing and energy prices strengthened slightly. Despite the slowdown of pace, prices of alcoholic beverages and tobacco made a significant contribution, and strong growth of prices of services continued to be evident, especially in sections recreation and culture and restaurants and hotels. Only prices of transport and clothing and footwear fell, year-on-year. The weakening of annual consumer price growth can also be attributed to a higher comparison basis for some items. On a quarter-on-quarter basis, consumer prices increased by 0.5% in Q2 and prices were higher in 10 divisions out of 12. Food and non-alcoholic beverages, housing and energy, and restaurants and hotels added the most to the quarter-on-quarter rise of the consumer prices. A decrease was recorded only for the prices of transport and recreation and culture. For the whole H1, consumer prices increased by 2.6%, year-on-year.

Prices of food and non-alcoholic beverages added to the growth the most.

The year-on-year increase of food and non-alcoholic beverages prices remained almost the same as Q1 and reached 5.2% in Q2. Quarter-on-quarter growth of their prices slowed to 1.0%. Year-on-year growth of prices of fruit (13.5%), milk, cheese and eggs (10.1%), meat (3.6%) and bakery products and cereals (2.2%) strengthened slightly. Strong year-on-year growth of prices of oils and fats (12.5%) and sugar and confectionery products (6.7%) weakened. Only vegetable prices fell (–2.6%). Prices of alcoholic beverages and tobacco maintained a strong influence on total consumer price growth despite a moderation of their year-on-year increase to 3.3% (up by 0.1%, quarter-on-quarter). Prices of alcoholic beverages decreased by 1.3%, year-on-year, while prices of tobacco were higher by 7.3%.

Growth of prices of housing and energies strengthened.

Housing and energy prices were raised by 1.9%, year-on-year, in Q2, thus strengthening the increase. Housing and energy costs increased by 0.5%, quarter-on-quarter. The strengthening of year-on-year dynamics was mainly due to imputed rentals⁷¹ (4.5%). Actual rentals for housing (6.0%), other services related to housing

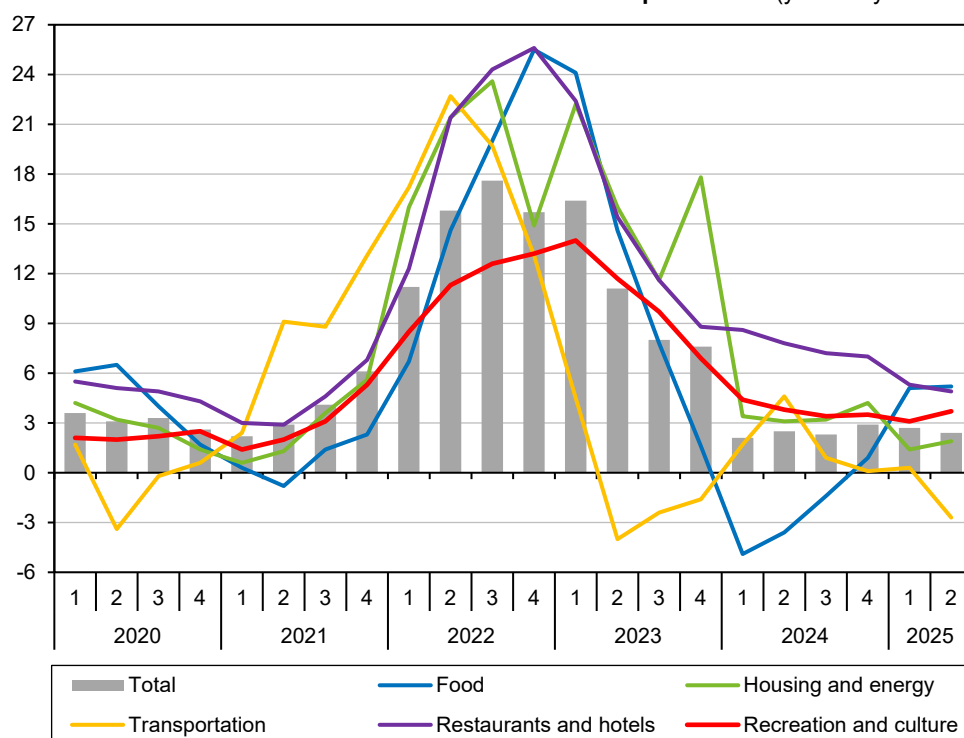
⁷¹ Imputed rent expresses the cost of owner living. Apart from prices of housing themselves, it also contains the cost of construction and renovation and further fees. For more see: <https://csu.gov.cz/methodological-note-to-consumer-price-index-imputed-rentals>.

(4.0%) as well as routine maintenance and repairs of dwellings (3.4%) kept a significant increase of prices. Prices of electricity, heat, gas and other fuels maintained their decline by 3.3%.

Year-on-year growth of prices of food service and accommodation fell below 4% for the first time in almost four years.

Year-on-year growth of services prices continued to be significantly higher (4.9%, prices of goods increased in total by 0.9%). Prices of restaurants and hotels increased by 4.9%, year-on-year, in Q2 and fell below 5.0% for the first time since Q3 2021. Prices of restaurants and hotels were 1.5% higher, quarter-on-quarter. The year-on-year increase of prices of recreation and culture strengthened to 3.7% in Q2, but prices decreased by 0.2%, quarter-on-quarter. Growth in this division was strongly driven by prices of services – recreational and cultural services (5.8%) and package holidays (5.2%), while prices of goods rose only slightly – such as audio and video equipment and flowers or garden equipment and animal goods (both 1.3%). Prices of other goods and services⁷² increased by 3.2% (by 1.0%, quarter-on-quarter). The year-on-year increase of education prices remained strong (11.2%, by 0.1%, quarter-on-quarter). Health prices increased by 3.5%, year-on-year, but their quarter-on-quarter increase was the strongest of all divisions of the consumer basket (1.7%).

Chart 10 Prices in the selected divisions of the consumer price index (year-on-year in %)



Source: CZSO

Transport prices were the reason for the moderation of year-on-year growth of consumer prices.

Prices of home furnishings, household equipment and repairs increased only slightly, year-on-year (1.4%, 0.7% quarter-on-quarter), where the increase of prices of household textiles (7.4%) particularly defied the rest of the division, while prices of goods and services for routine household maintenance were lower by 1.2%, year-on-year. Prices of postal services and telecommunications were higher by 0.3%, year-on-year. Transport prices fell into a year-on-year decline (-2.7%, a quarter-on-quarter decline of 1.0%) for the first time since the end of 2023 and affected the total slowdown of consumer price growth. The year-on-year development of transport prices was mainly impacted by a plunge of the cost of operation of personal transport equipment (-6.2%) driven by a decrease of fuel prices (-12.1%). Prices motor vehicle, motorcycle

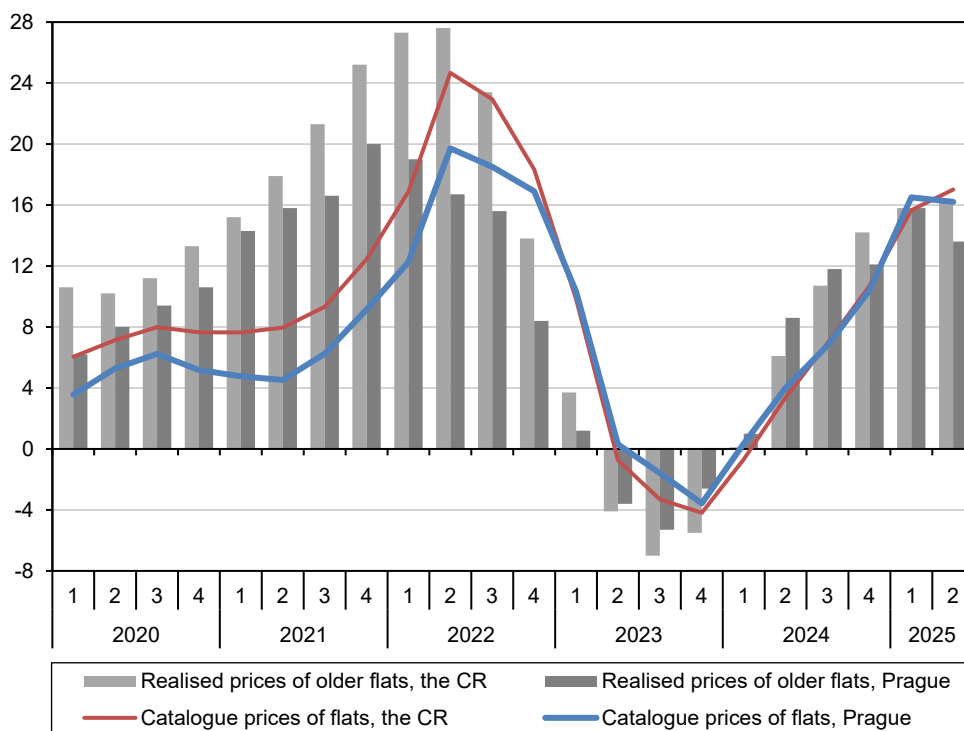
⁷² Contains services of personal care and personal needs and accessories, social care, insurance and further financial services etc.

and bicycle purchases (0.6%) emerged from the year-on-year slump and the year-on-year increase of prices of transport services strengthened to 4.2%. Prices of clothing and footwear also decreased year-on-year (-1.8%).

Consumer prices of services in the EU have continued to rise.

The Harmonised Index of Consumer Prices in the EU (HICP)⁷³ increased by 2.3%, year-on-year, in Q2. Prices increased the most, year-on-year, in education (4.7%), alcohol and tobacco (4.5%), food service and accommodation (4.1%) and other goods and services (4.0%). Services thus maintained very strong price dynamics. Growth of prices of food and non-alcoholic beverages also remained above average (3.5%). Only the prices of postal services and telecommunications (-2.3%) and transport (-0.4%) decreased in the EU, year-on-year. The HICP recorded the highest year-on-year growth in Romania (5.4%), Estonia (4.8%) and Hungary (4.4%). Consumer price growth was below one percent in Cyprus and France (both 0.8 percent). The total HICP increased by 1.1% in the Union, quarter-on-quarter, in Q2. Only housing and energy prices (-0.8%) and prices of postal services and telecommunications (-0.5%) decreased. On the contrary, prices of clothing and footwear rose sharply (7.7%), further prices of food services and accommodation (3.3%) and recreation and culture (1.4%) continued to rise. Prices fell, quarter-on-quarter, only in Bulgaria (-0.7%) and Belgium (-0.1%). By contrast, the HICP rose sharply in Malta (5.8%), Portugal (2.9%) and Greece (2.4%).

Chart 11 Real estate prices (year-on-year change, in %)



Source: CZSO

Catalogue prices of dwellings outside Prague grew faster than in Prague.

Year-on-year growth of catalogue prices of dwellings in the Czech Republic further strengthened to 17.0% in Q2 2025. Mainly development of dwelling prices outside Prague stood behind it (a sharp acceleration to 17.9%), while catalogue prices of dwellings in Prague were higher by 16.2%, year-on-year. Quarter-on-quarter, the catalogue prices of dwellings increased in total by 3.5%, while the pace accelerated to 5.8% outside Prague and it slowed down to 1.5% in Prague. The realized prices of older dwellings developed similarly. While the year-on-year increase slowed down to 13.6%

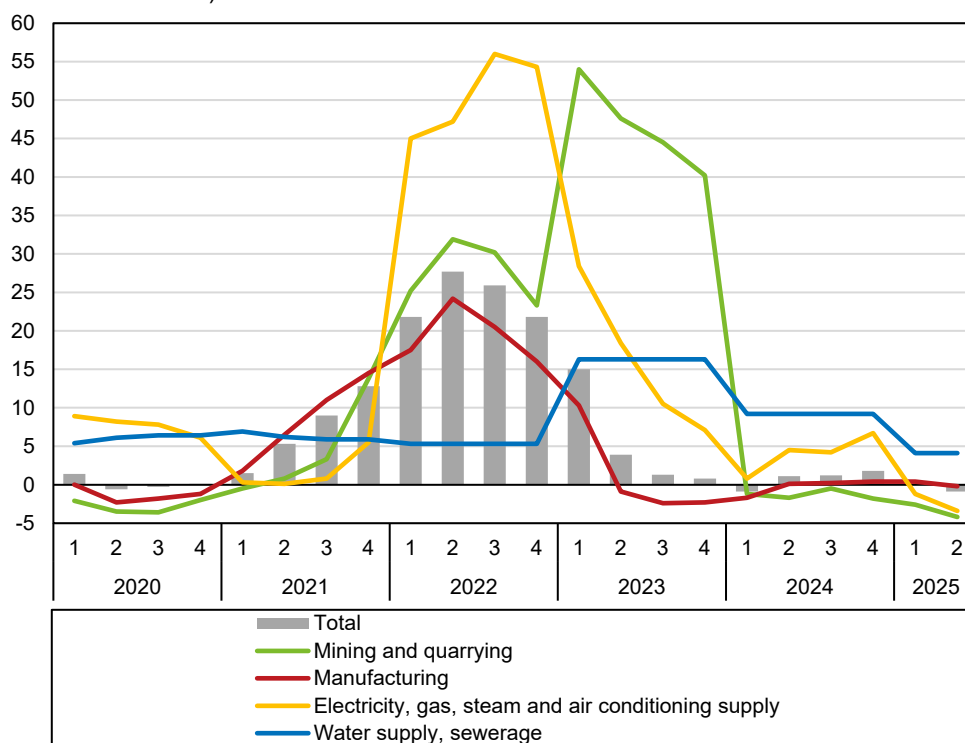
⁷³ Contrary to the consumer price index, which the CZSO compiles for the Czech economy, HICP does not contain imputed rent, which is the main reason for the difference between the HICP and Consumer price index.

in Prague, the pace strengthened to 17.0% outside Prague. Consequently, this also resulted in an acceleration of the growth of realized prices of older dwellings in the Czech Republic to 16.3%. Quarter-on-quarter, the realized prices of older dwellings increased by 3.7% in the Czech Republic, of which the increase remained at 4.2% outside Prague and the increase moderated to 2.2% in Prague. The realised prices of new dwellings increased by 6.7%, quarter-on-quarter, in Prague in Q2 (the highest increase recorded) and by 15.6%, year-on-year.

Industrial producer prices dropped.

Industrial producer prices continued their previous stagnation with a year-on-year decline of 0.9% in Q2. Quarter-on-quarter, there was a decrease of 1.5%. Only prices of water supply and related services were higher, year-on-year (4.1%). On the contrary, the fall in mining and quarrying prices deepened to -4.2%, mainly under the influence of coal and crude oil prices. Quarter-on-quarter, mining and quarrying prices decreased by 0.5%. Prices of electricity, gas, steam and air conditioning decreased by 3.4%, year-on-year, and by 5.1%, quarter-on-quarter, in Q2.

Chart 12 Prices of main groups of industrial producers (year-on-year change, in %, based on CPA classification)



Source: CZSO

Prices of coke and refined petroleum products have had a key impact on the development of prices in manufacturing.

Prices of manufacturing decreased by 0.2%, year-on-year, and by 0.5%, quarter-on-quarter. The development within the entire section was diverse, nevertheless both year-on-year and quarter-on-quarter dynamics were mainly influenced by a decline of the prices of coke and refined petroleum products⁷⁴. For most divisions of the classification, prices were raised, year-on-year, or even increases strengthened. This was the case for prices of wood and wood products (up to 4.9%), other transport equipment (up to 4.2%) or food and pharmaceutical products (both up to 3.3%). Solid quarter-on-quarter price increases were also recorded for these divisions in Q2. Prices of clothing (4.7%) and repair, maintenance and installation of machinery and equipment (3.9%) rose significantly, although less than in the previous quarter. Significant divisions of computers, electronic and optical appliances and equipment (2.2%), machinery and

⁷⁴ Individual data.

equipment (1.6%) and motor vehicles (0.9%) also recorded a moderation of price growth – all of them saw prices fall, quarter-on-quarter. The year-on-year decrease of prices deepened in the case of chemicals and chemical products (–7.1%, the division often reacts sensitively to crude oil prices) and was maintained for basic metals (–2.5%) and electrical equipment (–0.9%).

Industrial producer prices fell in the EU, quarter-on-quarter.

The year-on-year increase of industrial producer prices weakened to 0.5% in the EU⁷⁵ in Q2. A significant moderation concerned the growth of mining and quarrying prices (0.2%) and the prices of electricity, gas, steam and air-conditioning (2.1%). Prices of manufacturing stagnated, year-on-year. Industrial producer prices increased the most, year-on-year, in Bulgaria (11.0%), Greece (5.5%) and Hungary (3.7%). On the contrary, prices in Lithuania (–2.9%), Portugal (–2.6%) and Austria (–1.7%) had the most considerable decreases. Industrial producer prices fell by 3.2%, quarter-on-quarter, in the EU in Q2, the most since Q2 2023. Prices of electricity, gas, steam and air-conditioning (–11.9%), mining and quarrying (–3.5%) as well as manufacturing products (–0.4%) were lower. Industrial producer prices declined across the EU, except for Cyprus (0.9%), Slovenia (0.5%) and Malta (0.2%). The largest price drops were recorded in Ireland (–7.9%), Bulgaria (–7.3%) and Estonia (–5.8%).

Prices of construction works went up.

Prices of construction works featured gradual strengthening since the beginning of 2025 after slowing down last year. According to estimates, construction prices were 0.8% higher in Q2 compared to more accurate Q1. They increased by 3.2%, year-on-year. Prices of materials and products consumed in construction increased by 0.5%, quarter-on-quarter, in Q2 and increased by 0.9%, year-on-year.

The growth of prices of market services under the influence of advertising services and market research strengthened.

Market services prices followed up on the previous slowdown in Q2 by re-strengthening their year-on-year growth to 4.2%. Their quarter-on-quarter increase reached 2.3%. The acceleration of year-on-year growth was mainly influenced by prices of advertising services and market research, whose increase of 14.8% also contributed the most to the total growth of prices of market services. Prices of warehousing and support activities for transportation (6.3%), real estate services (3.8%) and programming and related consultancy activities (3.6%) also markedly supported the total year-on-year increase of prices of market services. Prices of programming and broadcasting activities (18.8%), security and investigation services (12.5%) and employment activities (10.1%) also increased significantly in Q2. Only prices of administrative, office support and other business support activities (–1.1%) and land and pipeline transport (–0.4%) decreased, year-on-year.

Year-on-year growth of agricultural producer prices accelerated.

Year-on-year growth of agricultural producer prices (including fishes) continued in Q2 and accelerated to 14.9%. Agricultural producer prices increased by 3.9%, quarter-on-quarter. Year-on-year growth of crop production prices increased significantly to 14.7%, mainly due to cereal prices (14.9%, growth of wheat and barley prices accelerated, while prices of rye and oats decreased) and vegetables and horticultural products (17.3%, prices of fresh vegetables and seedlings started to rise). Forage plants also switched from a slight decline to an increase of 9.6%. Prices of industrial crops were higher by 22.9%, year-on-year (oilseeds by 24.3%, prices of protein crops decreased by 4.4%). Fruit prices increased by 28.3%. On the contrary, potato prices were lower, year-on-year, in Q2 and the decrease deepened to –23.8%. Animals and animal products prices rose by 15.6%, year-on-year, and the increase also strengthened, but not as significantly as in the case of crop products. The growth of cattle prices accelerated to 28.0% and poultry prices to 6.0%. On the contrary, decrease continued

⁷⁵ Without prices of water distribution and services associated with wastewaters.

for pigs and piglets (−9.8%). The increase of egg prices accelerated very significantly (41.8%), and milk prices also went up more strongly (19.7%).

Prices of exports of goods fell, year-on-year.

Export prices followed the previous five year-on-year increases with a decrease of 0.1% in Q2. They also declined, quarter-on-quarter (−1.7%). This was largely the result of development of the CZK exchange rate⁷⁶ (especially against the dollar), which had a highly anti-inflationary effect in Q2. The year-on-year dynamics changed from growth to decline in products of manufacturing division (−0.3%). The deepening slump of the prices of coke and refined petroleum products to 20.7% had a significant impact, while the prices of basic metals also fell more (−3.0%). Prices of exports of chemical substances and preparations (−5.2%), leather goods (−2.1%), electrical equipment (−2.0%), other transport equipment (−1.8%) and computers, electronic and optical appliances (−1.5%) went from growth to year-on-year decline in Q2. The prices of exports of wood and wood products (8.1%), food products (4.1%) and basic pharmaceutical products and preparations (3.2%) rose the most. Quarter-on-quarter, prices of manufacturing goods and services decreased by 1.2%. The year-on-year decline of export prices was moderated to 8.6% in mining and quarrying division, but prices fell by 2.2%, quarter-on-quarter, i.e. more significantly than in the previous quarter. The year-on-year increase of electricity, gas, steam and air conditioning prices shrank significantly (3.2%), which was also related to their quarter-on-quarter decline of 21.2%. Growth of prices of agricultural, forestry and fishing products was also slower (7.6%, down 0.5% quarter-on-quarter).

Prices of imports of goods also fell.

Import prices of goods also decreased, specifically by 0.5%, year-on-year, in Q2. The quarter-on-quarter slump reached 2.5%. The quarter-on-quarter dive of 14.6% led to a deep year-on-year decrease of prices of mining and quarrying (−9.1%). Prices in manufacturing also started to decline (−0.1%, year-on-year, by 1.5%, quarter-on-quarter) and, similarly to exports, there was a significant deepening of the year-on-year decline of prices of coke and refined petroleum products. Year-on-year growth of prices of electricity, gas, steam and air-conditioning imports moderated (0.8%), which was again mainly due to a sharp quarter-on-quarter slump of 24.6%. On the contrary, for the prices of agricultural, forestry and fishery products, the strong year-on-year growth of import prices of 10.9% was maintained in Q2, despite a quarter-on-quarter decline of 6.0%. Year-on-year terms of international trade with goods reached 100.4% and quarter-on-quarter 100.8% in Q2. Trade in the area of mining and quarrying attained a positive term of trade, year-on-year (100.5%) as well as electricity, gas, steam and air-conditioning (102.3%). Negative year-on-year terms of trade were recorded for products of agriculture, forestry and fishing (97.0%) and manufacturing products (99.9%).

⁷⁶ Based on the CNB data, the average CZK exchange rate per euro reached 24.921 CZK/EUR in Q2 2025. It was 24.958 CZK/EUR in Q2 2024 and 25.082 CZK/EUR in Q1 2025. The average CZK exchange rate per dollar was 21.985 CZK/USD in Q2 2025. It was 23.179 CZK/USD in the same period of year 2024 and it was 23.844 CZK/USD in Q1 2025.



6. Labour Market

The labour market has been reviving this year. Branch-differentiated employment growth continued. Wage growth accelerated significantly in Q2.

The strengthening of the economy's performance is increasingly reflected on the labour market this year. Employment growth accelerated, nevertheless its focus still lay on services, which benefited from growing domestic demand. The influx of workers from abroad continued to a larger extent. Employment expectations improved in Spring and subsequently stabilised, while a positive shift was evident in both trade and construction. The unemployment rate increased slightly, mainly due to the worse position of men. The supply of vacancies did not increase significantly. Year-on-year nominal wage growth accelerated significantly in Q2. As the price level stabilised in the economy, real wage growth continued rapidly, which was again evident in all major branches. However, the purchasing power of gross employee earnings was still below the 2019 level.

The rate of employment growth increased. The absolute number of workers in the Czech Republic has again moved to an all-time high this year.

The employment growth rate has been increasing this year. While the total employment⁷⁷ only stagnated, quarter-on-quarter, in H2 last year, despite a very slightly strengthening performance of the economy, it increased by 0.4% in Q1 2025 and by 0.5% in the following period. This recovery was due to some services activities (especially significant group trade, transport, accommodation and food service activities), but also industry, where the situation partially stabilised and the number of workers did not decrease, quarter-on-quarter, here in Q2 anymore. Total employment in the economy has thus reached a record 5.51 million persons and was higher by 2.5% (+134 thousand) compared to the peak value from the last boom period (Q4 2018), mainly as a result of development of public services⁷⁸.

The focus of employment growth continued to be on public services.

The total employment increased by even 1%⁷⁹, year-on-year, in H1 2025. This was almost exclusively due to employees, who added 55 thousand. The number of self-employed persons rather stagnated (it even decreased slightly in Q2 alone, for the first time in the last four years). From the view of activities, public services⁸⁰ continued to determine the total employment dynamics in the economy, where growth accelerated slightly this year (to 2%). These services responded to high demand associated with longer-term changes in the age structure of the population (education, health and social care). However, employment increased relatively the most in the small real estate activities (+5.6%), where both the number of employees and self-employed went up. This also applies to professional, scientific, technical and administrative activities (+1.4%), which mainly concentrate specialists providing advanced support services for businesses. Other service activities⁸¹ continued to develop, with 3.7% of workers added this year, and employment in this sector, which was strongly affected by anti-pandemic restrictions, exceeded the level of pre-crisis 2019 for the first time. Slower growth persisted (+1.1%) in the group trade, transport, accommodation and food service

Real estate and more advanced business services also performed well, with an increase of both employees and the self-employed.

⁷⁷ Data regarding employment stem from the national accounts' conception. They are expressed in physical persons and adjusted for seasonal effects. Unlike the data from the business statistics or the labour force sample survey (LFSS) also include for instance the estimation of the grey economy impact.

⁷⁸ 11% more people (+114 thousand) were employed in the public administration and defence, education, human health and social work activities in Q2 this year compared to the end of 2018. Increases in construction (+9%), information and communication (+16%), professional, scientific, technical and administrative activities (+6%) and real estate also had a significant impact.

⁷⁹ Unlike last year, domestic employment grew faster than in the EU, where it grew by 0.4% in H1 this year. In contrast to the trend in the Czech Republic, in addition the current employment growth rate has also slowed down in the Union (as well as the euro area). Similarly to the Czech Republic, the expansion of job vacancies occurs exclusively in construction (+0.6%) and services – relatively the most in real estate activities (+3.9%), finance and insurance (+1.6%) and also in activities with a predominant role of the state (+1.3%). On the contrary, the number of workers is decreasing in manufacturing (-0.8%), where the situation is rather deteriorating, which also applies to the primary sector (-4.6%). Among the individual states, the total number of workers increased the most in Malta (+3.8%) and Ireland (+2.8%), and among the major economies, mainly in Spain (+2.8%) and Italy (+1.4%). On the contrary, a decrease occurred in a third of the member countries – mainly Romania (-4.4%), Latvia (-1.7%), Estonia (-1.0%) and Finland (-0.8%), while a slight decrease occurred in France and Poland. In Germany, employment has stagnated this year (as it did for most of last year), in that there was a decline of 2% in manufacturing (the deepest in the last four years). There were no signs of recovery in Europe's largest economy from quarter-on-quarter rates either (total employment further stagnated and jobs in industry continued to decline).

⁸⁰ For simplification they include division public administration and defence, education, human health and social work activities.

⁸¹ These include in addition to cultural, amusement and recreational activities, for instance various services for households (repair of goods, hairdressing and cosmetic activities, etc.). Employment is comprised of more than one third of small entrepreneurs in this branch.

There was no increase of the number of workers in the financial and insurance activities, as well as in the ICT branch this year, and the number of self-employed people even shrank here.	activities. On the one hand, trade and tourism-related activities prospered, simultaneously however, jobs in transportation and storage were destructed, which was related to the persistently weak dynamics of performance in industry. Total employment has been growing only slightly in recent quarters within the radius of the most advanced services included in the quaternary sector of the economy – the number of employees even decreased slightly, year-on-year, in the ICT sector (by 0.6%) this year, which was the first decline in the first half-year since 2012. It mainly reflected the reduction of self-employed persons. The number of employees remained at the level of last year's H1 in the financial and insurance activities, as the decrease of the number of self-employed was offset by a slight recovery of the number of employees ⁸² .
Employment growth accelerated in construction, also thanks to the strengthening of the role of small entrepreneurs.	Among the traditional branches of material production, only construction was successful this year, where small entrepreneurs were also behind the almost 2% employment growth. On the contrary, the number of workers in manufacturing has been declining, year-on-year, for the fourth year in a row. However, this year's reduction is relatively milder (–0.5%), but similarly to the last year, it was driven by both employees and the self-employed. Difficulties with the sale of goods, uncertainty regarding the nearest development in international trade relations, as well as persistent cost pressures related mainly to the energy intensity of production do not yet provide much room for growth of new job creation. The situation was somewhat more favourable in other industries, as a slight increase of employment in energy industry, water and waste management was sufficient to compensate for the deepening decline in the relatively small mining and quarrying. Employment here has thus effectively stagnated for the fourth year in a row. The total number of workers remained unchanged in agriculture, forestry and fishing, but there was a recovery in the self-employed category after two years.
The reduction of employment in manufacturing has moderated. The situation in many traditional export industries is still difficult.	
The number of hours worked expanded faster than the physical number of workers.	The total number of hours worked ⁸³ in the economy increased by 1.7%, year-on-year, in H1 this year. As in previous years (since the retreat of the COVID-19 pandemic), it has increased faster than the number of employed persons (in natural persons). Faster growth of hours worked compared to employed persons is evident this year for both employees and the self-employed. Overall, this year, as last year, it is visible mainly in the primary and secondary sectors of the economy, which may also be related to the lack of manual skilled and less skilled workers on the market. The fact that in recent years there has been an increase in the number of workers with two or more jobs was also evident. The number of hours worked in the economy was compared to H1 2019 higher by 3.5% this year, in that there were 5.2% of self-employed ⁸⁴ .
Labour productivity growth has resumed. It was evident in most major industries this year.	The acceleration of economic performance led to a strengthening of labour productivity this year, even with a relatively significant growth of hours worked. Hourly productivity ⁸⁵ increased by 0.8%, year-on-year, in H1 this year, growing for the first time since 2021. It increased the most in ICT (+8.2%), and it also grew rapidly in finance, construction or non-manufacturing industries. It decreased only in public services, real estate activities and the primary sector. There was also a positive turnaround in productivity expressed per worker (in natural persons), which increased slightly, year-on-year, already in H2 2024.
The number of foreigners in employee status has risen to a record 892 thousand.	The long-term low supply of vacant labour force in the Czech Republic (due to demographic ageing as well as low birth rates) together with the growing pressure of companies to optimise production costs continued to stimulate the growing demand of

⁸² In the longer term, however, the trends in both main groups of workers are opposite. The number of employees is decreasing in connection with the rapid development of digitalisation, by contrast the number of self-employed is rather slightly increasing.

⁸³ Data stem from the national accounts' conception.

⁸⁴ An analogous increase was 2.6% for the number of manual workers, of which 3.4% for the self-employed.

⁸⁵ Expresses seasonally adjusted GDP in constant prices per hour worked by employed persons (after seasonal adjustment).

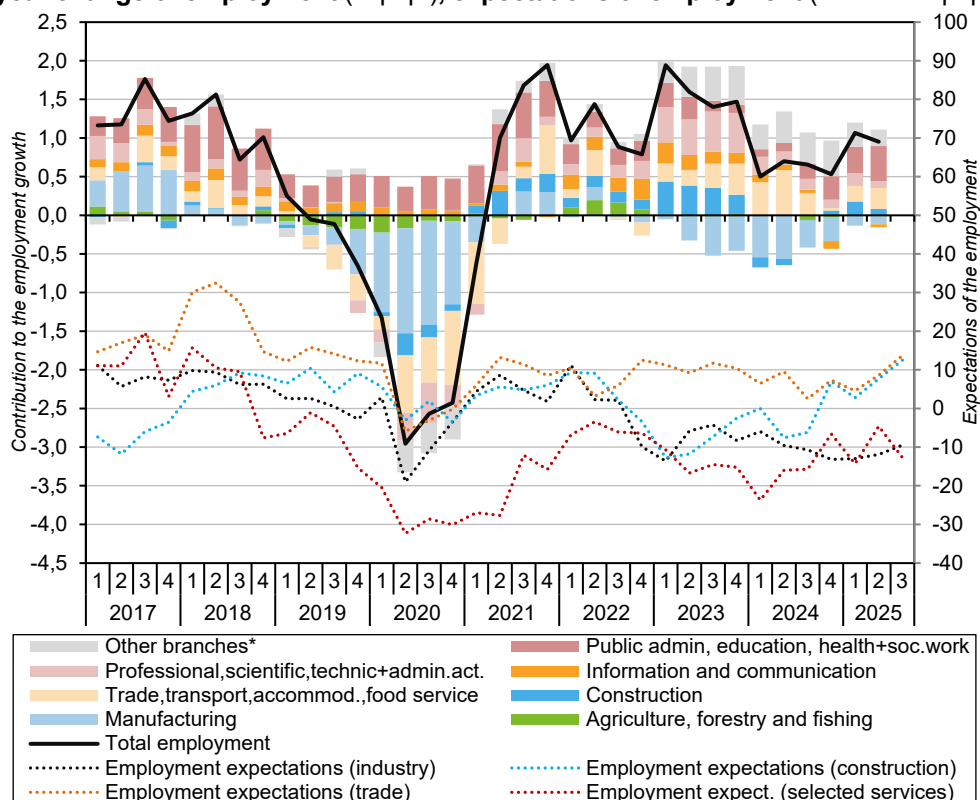


Their increase was still driven mainly by the citizens of Ukraine.

The influx of people from some Asian countries has accelerated. The number of workers from Central and Eastern Europe has rather stagnated, year-on-year.

domestic employers for workers from abroad. Legislative changes reducing administrative demands in this area help to facilitate the employment of foreigners. This applies to both Ukrainian citizens⁸⁶ and foreigners from other countries, not only from economically less developed countries outside the EU⁸⁷. The long-term influx of foreign workers to the Czech Republic thus continued. A record 892 thousand were registered at labour offices at the end of August this year (84 thousand more, year-on-year) in the dominant group of employees. The highest year-on-year increase was traditionally recorded for citizens of Ukraine (+46 thousand to 329 thousand, of which women +27 thousand, to 178 thousand), followed by Slovakia (+13 thousand, to 223 thousand), the Philippines (+4.0 thousand, to 12.6 thousand) and Vietnam (+2.5 thousand, to 22 thousand). Among the still relatively significant groups of foreigners, the number of citizens of India, China, Kazakhstan and Uzbekistan grew relatively rapidly (both slightly over 20%). In contrast, in a number of large groups of workers from poorer countries of Central and Eastern Europe – mainly from Poland, Bulgaria and Romania – their number almost stagnated, while for Serbia and Turkey it decreased slightly (up to 5%). This is associated with the gradual balancing of wage levels in this region.

Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p. p.), expectations of employment (balance in p. p.)



* Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities.
 Note: Balance of expectations expresses the difference in p. p. between categories growth vs. decrease of employment in the nearest three months. Data are seasonally adjusted and relate to the second month of the given quarter.
 Source: CZSO (national accounts), Eurostat (business cycle surveys).

The employment rate of females aged 15 to 64 is growing rapidly. The trend is opposite for

The above trends were reflected in the ongoing slightly strengthening growth of the economic activity rate, which mainly seeped into employment this year, as in most of 2024. The employment rate⁸⁸ (persons aged 15–64) reached 75.8% in July and

⁸⁶ Almost four-fifths of all Ukrainian citizens (or 70% of males and 90% of females) working in the Czech Republic in an employment status did not need a work permit (work permit, the employee card or blue card) at the end of Q2 2025.

⁸⁷ As of 1st July 2024, foreigners from some economically developed countries outside the EU (USA, Great Britain, Canada, Australia, New Zealand, Japan, South Korea, Israel and Singapore) do not need a work permit or employee cards in the Czech Republic. 9.5 thousand people from these countries were employed in the Czech Republic at the end of August this year, up 2%, year-on-year.

⁸⁸ These are data in a new model of seasonal adjustment – using the trend-cycle. The innovated adjustment model better reflects changes in the nature of the labour market and seasonality. The monthly unemployment rate is similarly adjusted as well.

males, and they are thus widening the number of economically inactive to a larger extent.

increased by 0.7 p. p., year-on-year. While the decrease gradually deepened for males (up to -1.1 p. p.), the opposite trend is evident for females (+2.7 p. p.). The difference in the employment rate between the genders is thus quickly eliminated (currently it was 8.6 p. p., two years ago it was 13.6 p. p.). The development for females is linked to the overall recovery of the services sector as well as the steadily rising employment in public services, the expansion of part-time work⁸⁹, the growing education of women⁹⁰ and also the still faster shift of the retirement age (compared to men)⁹¹. The continuing lowering of the birth rate, leading to a reduction of the number of women outside economic activity (on parental leave), may also have an impact.

Short-term employment expectations of firms left negative band over the summer and approached the long-term average.

Short-term expectations of domestic companies in the area of their own employment⁹² gradually improved over the past year. The beginning of this year brought (not only in the Czech Republic, but also in the EU or the euro area) a short-term strengthening of the negative outlooks, which reflected the growing uncertainty of entrepreneurs likely stemming from external (foreign) factors. However, the outlook began to improve slightly again during Q2 and the aggregate indicator of employment expectations in the Czech Republic climbed nearly to three-year high in the summer (and its level corresponded to the long-term average). Positive expectations distinctly strengthened in trade and construction but remained in the negative band in industry and services without major changes. According to the August 2025 business cycle survey, a reduction of the number of employees was expected (without taking into account seasonality) over a three-month horizon 27% in services and 15% in industry, but only 4% both in construction and trade. In contrast, recruitment plans were most evident in trade (17%), construction (15%), selected services (14%), and only 7% of companies anticipated an increase of employment in industry. The situation at the level of sub-sectors within industry and services differed⁹³. The share of enterprises for which labour shortages represent one of the significant growth barriers⁹⁴, was traditionally the highest in construction (47%) at the beginning of Q3. The opposite situation prevailed in industry (10%) and services (11%). While the role of this barrier decreased slightly, year-on-year, in industry, the opposite was true in construction and services.

Optimism was rising in trade and construction.

Shortage of workers further afflicts mainly construction companies.

The general unemployment rate has started to increase

Despite the difficulties of some (mainly industrial) businesses, the general unemployment rate⁹⁵ has not increased significantly in recent quarters. The developing

⁸⁹ According to the LFSS figures, 9.6% of all workers in the Czech Republic practiced in Q1 this year (of which 14.6% were women). This share has increased by 2.7 p. p. (of which for females by 3.6 p. p.) over the last three years. Workers working this way were concentrated in public services the most, and in the case of females also in trade. Although these job contracts are mainly associated with higher flexibility, some of them are not entirely voluntary (55 thousand women, i.e. almost a sixth of the total number of women working in this way, state that only part-time work was available to them). Even though the rise of the share of all part-time workers in the Czech Republic was one of the highest in the EU in the last three years (together with Denmark, where it increased by 3.3 p. p.), their overall distribution is still significantly below average. For example, only 13.8% of women aged 25 to 49 years worked in this form in Q1 2025, 25.9% in the EU and 56.7% in the Netherlands. On the other hand, only Estonia (17.2%) and Malta (15.8%) had a higher share than the Czech Republic among the countries that joined the Union after 2000.

⁹⁰ Increasing education is generally associated with higher participation on the labour market, especially in upper middle or post-productive age. According to the LFSS data, the number of university-educated working women increased by 73 thousand, year-on-year, in Q2 this year.

⁹¹ This is also reflected in the increase of working women aged 60 and over. According to the LFSS data, it was 9.6%, year-on-year (+24 thousand persons) in the Q2 2025.

⁹² Unless stated otherwise, seasonally adjusted data are used from now on.

⁹³ The prevailing negative expectations of employment were expressed by businesses in a slightly more than one half of manufacturing industries. The worst prospects were held in metallurgy and foundry, the electronics and textile industries and the production of building materials, followed at a margin by the engineering, chemical and leather industries, as well as manufacturing of motor vehicles and motorcycles. On the contrary, positive employment prospects persisted mainly in manufacturing of rail transport vehicles, repairs of machinery and equipment, and to a lesser extent in rubber and plastics industries, pharmaceuticals and food industry. Negative expectations prevailed in a third of sub-sectors in services. It was the most evident in veterinary activities, telecommunications, publishing activities, finance activities, land transport and, to a lesser extent, in advertising, legal and accounting activities, insurance activities, as well as in small branches of the motion picture and music publishing activities and in water transport. By contrast, optimism prevailed in accommodation, information activities, science and research, programming, warehousing and support activities in transportation, security and investigation activities, as well as in the gambling and betting activities.

⁹⁴ Businesses could have stated more barriers simultaneously.

⁹⁵ Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.



slightly this year, especially for males.

The long-term unemployed also increased slightly. However, their share on total unemployment is not yet very high.

The size of the potential labour reserve remained low.

The number of registered job applicants has increased. Their share on the working-age population was the highest in the last nine years.

There is a noticeable excess of the number of job applicants over job vacancies in the vast majority of districts. The

services have been able to a large extent to absorb the laid-off workers from some of the declining industries. The adjusted unemployment rate (persons aged 15–64) was 3.0% in July this year (males: 2.7%, females: 3.3%)⁹⁶, it increased very slightly, year-on-year: +0.2 p. p., somewhat higher increase was recorded for males. The number of the long-term unemployed went also up mildly – they accounted for 31% of the total number of jobless persons in Q2 2025 (this is below average in the long-term and international context). The size of the potential labour reserve (i.e. economically inactive persons not looking for work but reporting their willingness to work) has virtually stagnated, year-on-year (at less than 83 thousand persons)⁹⁷ and remains low in the long term. Although this represents a meaningful problem for many employers, on the other hand, it is also a positive signal indicating that the extent of hidden unemployment (in the form of "escaping" into economic inactivity) is currently not significant on the domestic labour market.

Neither data from the Labour Offices (LO) do not yet indicate a significant cooling of the domestic labour market. The seasonally unadjusted share of registered job applicants on the total population of persons aged 15 to 64 reached 4.4% at the end of July this year (males: 4.0%, females: 4.9%). This was 0.7 p. p. higher, year-on-year (a slight increase of unemployment continued continuously throughout last year, this year the year-on-year pace increased slightly⁹⁸). The last time unemployment in July was higher than the current one was in 2016 (5.4%). Unemployment in the Czech Republic is traditionally significantly regionally differentiated⁹⁹.

LOs registered (according to the new methodology) 95.6 thousand job vacancies¹⁰⁰ at the end of July this year (in principle, only vacancies with a registration period of less than 6 months), i.e. 15% more than at the end of January this year. Month-on-month

⁹⁶ Low unemployment also prevails in the EU - the seasonally adjusted unemployment rate (persons aged 15-74) was 5.9% in the EU and 6.2% in the euro area in July this year. In both cases, there was a very slight year-on-year and month-on-month decline (-0.1 p. p.), which was slightly more pronounced for females, which is related to better results of services compared to industry. Total unemployment in the EU is currently the lowest in the available time series (since 2000) and is about 1 p. p. more favourable compared to the beginning of 2008 (in both the EU and the euro area). Despite a slight increase, domestic unemployment (2.8%) was still the second lowest in the EU (after Malta with 2.6%). Slovenia (2.9%), Poland (3.1%) and Bulgaria (3.7%), the Netherlands (3.8%) had a very good position and also Germany (3.7%), where, however, the current unemployment rate was one of the highest since 2016 (this is also confirmed by data from the Federal Employment Agency – over 3 mil registered job applicants for the first time in the last decade). Spain (10.4%), further Finland (9.9%), where the situation is significantly worsened by males: 11.1%, Sweden (8.9%), Greece (8.0%), France (7.6%) and all the Baltic states (both around 7%) were situated at the opposite pole, despite year-on-year improvement. Year-on-year, unemployment decreased in eleven EU countries – the most in Greece (by 1.8 p. p.), Slovenia (1.2 p. p.) and Spain (1.1 p. p.). Greece fell out of the trio of EU member states hit by the highest general unemployment rate for the first time since Spring 2011 this year. The increase in unemployment occurred mainly in the Nordic countries – Finland (+1.4 p. p.) and Denmark (+0.7 p. p.), it was rather small elsewhere. The Czech Republic also has a favourable position in youth unemployment, as it has long been one of the third of the EU countries with the lowest unemployment of people under 25 years of age. It stood at 14.4% in the EU in July this year, down by 0.9 p. p., year-on-year. Germany held the best position (6.3%), while high youth unemployment (over 20%) was in six member states – Estonia, Sweden, Finland, Romania, Spain and Luxembourg. Year-on-year, the position of young people on the labour market has deteriorated in less than a third of EU countries – most notably in Finland.

⁹⁷ However, only a fifth of this number was able to start work immediately. A significant part of the work reserves is made up of students and women on parental leave.

⁹⁸ The current increase of registered job applicants may also be related to the higher activity of the Labour Office in the field of counselling and retraining, as well as to a more flexible possibility of contact between the Labour Office (digitally at a distance). It cannot be ruled out that people may be more willing and courageous to change unsatisfactory jobs (e.g. with motivation to higher earnings and the expected increase of state support in the event of short-term unemployment).

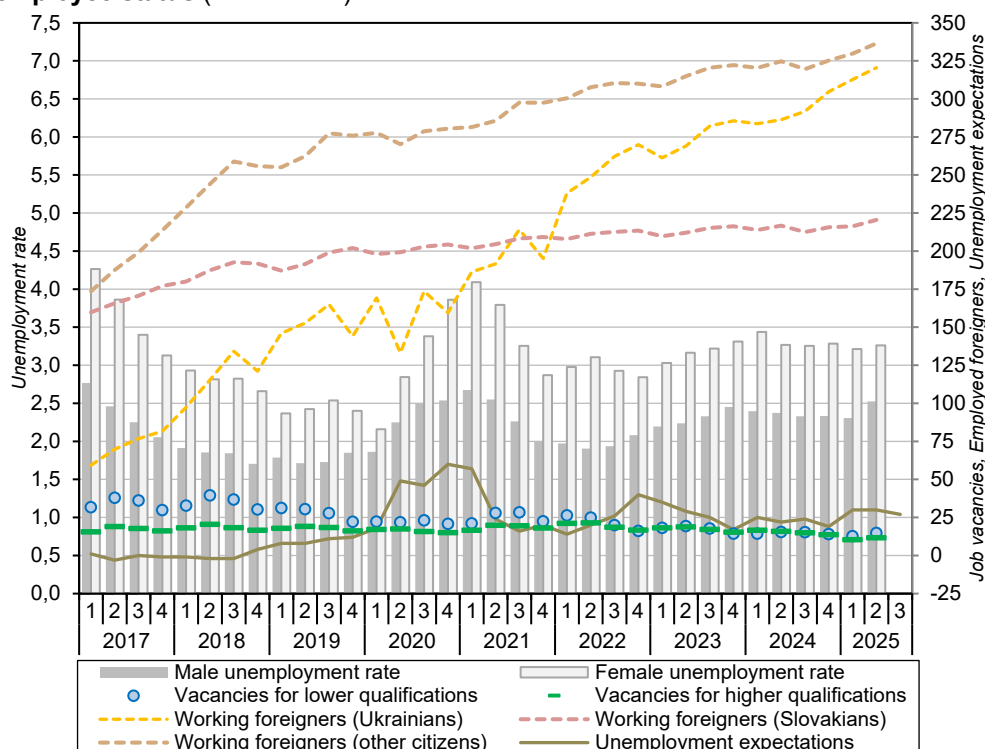
⁹⁹ The highest share of unemployed (to the population aged 15-64) was currently recorded for males in the "Karviná district" (9.7%) and females in the "Most district" (11.0%). Total unemployment was higher than 6% in ten districts (belonging to the "Moravskoslezský, Ústecký, Karlovarský and Jiho-moravský regions"), while it was below 3% in the immediate hinterland of Prague and the districts of Rychnov nad Kněžnou (proximity to the motor vehicle industry) and Pelhřimov (higher supply of seasonal work). Year-on-year, unemployment increased in all districts of the Czech Republic – the most in the "Česká Lípa" (from 3.7% to 5.4%), "Sokolov" (from 5.4% to 7.1%) and "Ostrava-město" (from 5.8% to 7.1%).

¹⁰⁰ According to the CZSO's experimental statistics (surveys of enterprises carried out since 2020), the offer of domestic companies was estimated at 105 thousand vacancies in Q2 2025 (these are only employed positions, not temporary jobs, e.g. various types of agreements). The number of job vacancies decreased slightly by 8%, year-on-year (it also declined at a slower pace at the beginning of this year). The current decline of supply was mainly due to the primary sector of the economy, construction, transportation, storage, accommodation and food service activities, as well as administrative and support service activities. The supply of job vacancies in the absolute terms in contrast grew the most in trade and education. Most vacancies were in industry (27 thousand), activities with an important role of the state (27 thousand) and trade (14 thousand).

problem of mismatch between supply and demand in terms of qualification requirements also persists.

growth of job vacancies, mainly linked to the supply of seasonal work, ceased in July¹⁰¹. The largest number of applicants per a vacancy is traditionally in the Karviná district (24.4), followed by Sokolov (16.5), Děčín (13.8), Hodonín (12.2), Most, Louny and Jablonec n. Nisou (both just above 9). On the contrary, there is an excess of vacancies over applicants only in the Prague-East and West districts (0.9) and less than 1.5 applicants per vacancy were in Prague, the Mladá Boleslav district, the Tachov and the Cheb district. In addition, there is still the matter of structural mismatch between the job vacancies offered and the qualifications of applicants¹⁰². People's concerns regarding the rise of unemployment (expressed in business surveys) grew in Q1 this year, and consequently stabilised. They were currently slightly above the long-term average, mildly higher in year-on-year view.

Chart 14 General unemployment rate (in %, age 15 to 64 years), unemployment expectations of households* (in p. p.), job vacancies and working foreigners with the employee status (in thousand)**



Note: Figures regarding the unemployment rate are seasonally adjusted.

Vacancies for higher qualifications include positions requiring at least secondary education with A-level or higher education. JV=only job vacancies with a registration period of up to six months (balance at the end of quarter)

*Seasonally adjusted balance of expectations of unemployment in the next 12 months (difference between percentage frequency of answers of households "growth" and "decrease" expressed in percentage points). Data relates to the middle month of the given quarter.

** Number of foreigners in the status of employees registered at labour offices in the Czech Republic at the end of the relevant quarter. Source: CZSO (LFSS, business cycle survey), MLSA (JV registered at labour offices in the CR, employed foreigners)

Year-on-year growth of average wages accelerated significantly in Q2. This acceleration was evident in most activities.

The average gross monthly nominal wage of an employee in the national economy rose to 49,402 CZK in Q2 2025. It increased by 7.8%, year-on-year. The growth rate accelerated compared to the beginning of the year (6.6%). This does not primarily present the effect of a lower comparative basis, as seasonally adjusted wage strengthened by high 2.2%, quarter-on-quarter, in Q2 (the most in the last five quarters). The acceleration of the year-on-year pace is evident across most activities this year (more intensively in the market segment of the economy, less in public services). This is related to the gradual strengthening of the domestic economy performance, including

¹⁰¹ Companies have reduced recruitment due to vacations and lower need for seasonal workers. Rainier and colder summer weather could have played a role. Both the tourism sector and seasonal sales recorded weaker performance, which further dampened the labour market and demand for temporary workers.

¹⁰² For almost three quarters of job vacancies, only basic education was sufficient for applicants. On the contrary, more than a third of all registered job applicants have at least a high school certificate.



growth of labour productivity (the registered number of employees in converted persons increased by only 0.4%, year-on-year, in Q2). However, it cannot be ruled out that the behaviour of the employees themselves also has a partial influence, as they may be more motivated to change jobs with the vision of higher earnings. The lack of available workers on the market also contributes to the above-average wage pace in a number of activities. On the other hand, wage growth in the economy was still dampened by the need for savings in the budgetary sphere and also by the steadily growing number of foreign workers from "third countries". They often occupy low-skilled positions, and their earnings therefore usually do not reach the level of Czech citizens.

The purchasing power of the average wage has been growing, year-on-year, continuously since the beginning of last year.

With consumer price developments stabilising, average real wage growth climbed to 5.3% in Q2 (the highest since Q1 2024, and the same applies to nominal wage rate). This is growth comparable to the rates from the expansion years 2018 and 2019. However, due to high accumulated inflation during the energy crisis, the purchasing power of the current average gross wage is still slightly lower than the average for 2019¹⁰³. Similarly to the beginning of this year, the purchasing power of average wages grew at least minimally in all major activities in Q2.

Workers in professional, scientific and technical activities have improved their wages the most in both absolute and relative terms.

The aggregate growth of the average wage traditionally masks very diverse developments at the level of individual industries, enterprises or organizations. Above-average nominal wage growth in Q2 this year was concentrated mainly in the market segment of services. Year-on-year earnings increased the most in professional, scientific and technical activities (+12.7%), i.e. in a division based primarily on the work of highly qualified specialists (which is also reflected in the average monthly wage level here: 63.2 thousand CZK). However, earnings also grew rapidly in areas with lower qualification requirements, i.e. in real estate activities (+10.9%, with double-digit employment growth), accommodation, food service activities (+10.4%), administrative and support service activities (+10.1%) and cultural, entertainment and recreational activities (+9.8%).

Higher wage growth in transportation and storage took place amid job cuts.

Due to the persistent problems in industry, wages grew somewhat surprisingly dynamically (+9.6%) in the related transportation and storage activities. Nevertheless, the number of employees continued to shrink, and the attained wage level was one tenth behind the total economy. This lag is equally evident in trade, where in addition wages grew at a relatively weaker pace in Q2. This also applies to financial activities (+5.1%) and ICT (+7.2%). However, the level of earnings in these activities exceeds the level in accommodation, food service activities nearly threefold. Wages in the public services activities¹⁰⁴ also continued to grow below average – mainly in human health and social work activities (+5.6%). They were higher by 7.0% (with higher dynamics concentrated in the area of law enforcement – e.g. the army) in public administration, defence and social security, the same as in education¹⁰⁵.

Relatively weaker wage growth in financial activities and public services continued.

The construction industry reported rapid wage growth for the second year in a row, which was related to the lack of available workers on the market. The wage pace in mining and quarrying lagged behind this year

Among activities of the material production, wages grew the most in construction (+11.0%), which was associated with the improving economic situation of this activity as well as the persistent long-term problem of shortages of specialists and less qualified workers on the market. This is also partly true for agriculture, forestry and fishing, where wage growth rose to 9.3% in Q2, but the level of earnings is still low (37.7 thousand CZK). On the other hand, wage growth was weaker in manufacturing (+7.5%) and jobs were reduced in most main activities (by 1.7% overall). Higher wage growth was recorded only in the manufacturing of motor vehicles and motorcycles (+10.3%), which is the result of improved production in

¹⁰³ In the case of net earnings, the development of their purchasing power is influenced by a slight increase of the tax burden on labour due to the reintroduction of employee contributions to sickness insurance (the total social insurance contribution for employees increased from 6.5% to 7.1%), which was approved as part of the government's consolidation package (with effect from January 2024). On the contrary, the abolition of the super-gross wage (as of January 2021) contributed to the growth of the purchasing power of earnings.

¹⁰⁴ The total wage rate for these activities was lower than in the economy as a whole for the fourth year in a row.

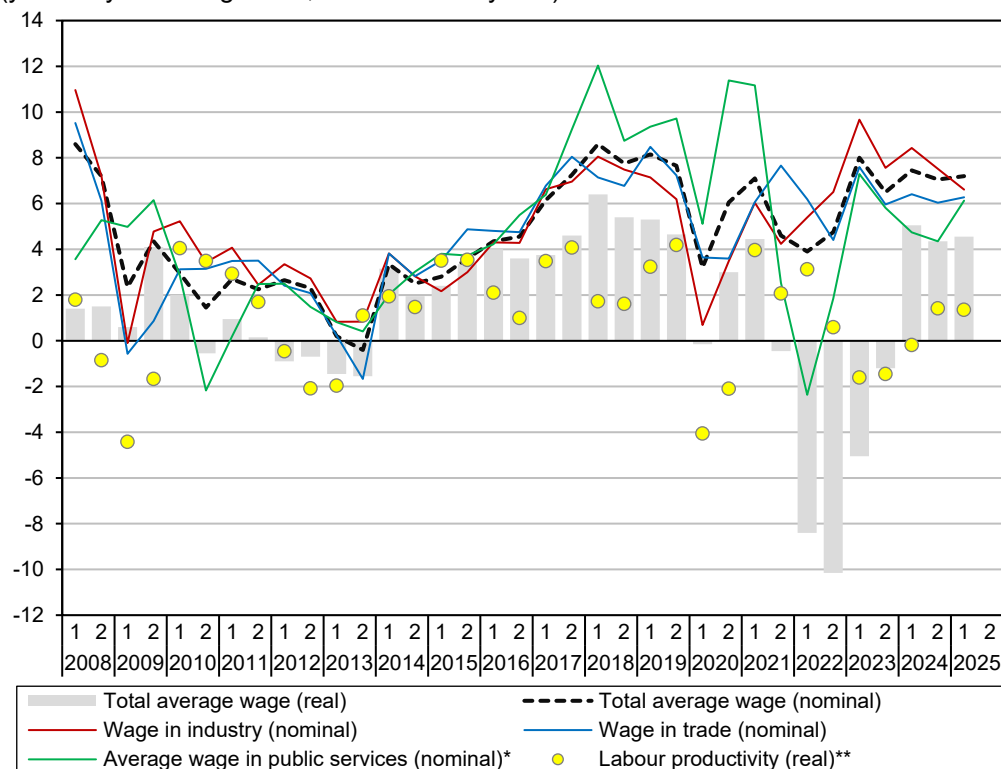
¹⁰⁵ The level of earnings here, including non-teaching staff, was almost a tenth lower than in the total economy.

and last year, and the level of earnings gradually fell to the average of the total economy.

Q2, the strong role of trade unions and also the dismissal of agency workers who usually perform less qualified activities (often in subcontracted companies). Workers in the energy sector currently had a similar wage level as in the manufacturing of motor vehicles and motorcycles (less than 70,000 CZK). However, earnings growth was weaker here (+6.2%) also due to last year's higher base. Standing of the employees in the downturn mining sector improved the least (+4.8%), and the level of their wages (51.7 thousand CZK) has already descended into the wider average range.

Chart 15 Average nominal and real wage and labour productivity

(year-on-year change in %, individual half-years)



* Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Cultural, amusement and recreational activities.

** Expresses GDP (in constant prices) related to 1 worker (in natural persons).

Source: CZSO

Earnings in the area of middle wages grew relatively slower than at both extremes. Overall wage differences remained almost unchanged.

Among the regions, average nominal wages grew the most in *Prague* and the *“Moravskoslezský region”* (+8.2% each) in Q2, and the least in the *“Ústecký region”* (+5.6%). The wage level exceeded the level of the total economy only in Prague (+26%) and Central Bohemia (+6%), lagging behind the most in the *“Karlovarský region”* (–15%), *“Olomoucký”* and *“Pardubický regions”* (both by 12%). The median wage amounted to 41.1 thousand CZK in Q2 and increased by 7.2%, year-on-year (for males to 44.5 thousand, for females to 37.9 thousand). The tenth of employees with the lowest wages received a gross wage below the threshold of 22.3 thousand CZK (the lower decile increased by 8.3%, year-on-year), the tenth with the highest wages had earnings above the threshold of 80.9 thousand CZK (the upper decile increased by 8.0%). The area of middle wages thus grew relatively the least, also due to a weaker pace in public services, industry or trade. The total wage differences remained almost unchanged, year-on-year. The gap in median earnings by gender increased slightly by 0.2 p. p., year-on-year, to 14.7%.



7. Monetary Conditions

One cut of monetary policy-relevant rates occurred in Q1 2025.

There was one quarter-point cut in key monetary policy-relevant rates in Q1 2025. In February, the two-week repo rate was lowered to 3.75%¹⁰⁶, the discount rate to 2.75% and the Lombard rate to 4.75%. The CZK exchange rate per euro strengthened very moderately throughout the quarter. The average for the total Q1 reached 25.08 CZK/EUR. The CZK exchange rate per euro remained almost unchanged, year-on-year, and the koruna strengthened slightly against the euro, quarter-on-quarter (by 0.17 CZK, 0.66%). The CZK exchange rate per dollar strengthened significantly during the quarter, which was reflected in particular in March international trade prices. At the beginning of the year, the foreign exchange rate reached a level of around 24.50 CZK/USD and briefly exceeded this limit during January. Subsequently, the koruna gradually strengthened to 24.00 CZK/USD by the beginning of March. In the first week of March, however, the foreign exchange rate strengthened sharply to 23.00 CZK/USD and the koruna was at 23.08 CZK/USD at the end of March. On average, the foreign exchange rate was 23.84 CZK/USD for the whole quarter. This meant a year-on-year weakening of 0.75 CZK (3.27%) and the average CZK exchange rate per dollar was weaker by 0.20 CZK (0.86%).

Interbank interest rates also dropped.

The reduction of interbank interest rates was uniform across maturities in Q1. The three-month PRIBOR fell by 0.19 p. p.¹⁰⁷ to 3.72%, the six-month PRIBOR by 0.18 p. p. to 3.61% and annual by 0.16 p. p. to 3.53% at the end of March. In case of government bond yields, the average interest rate on bonds with the shortest maturity of up to two years declined (−0.20 p. p. to 3.44% at the end of March). Bonds with a maturity between 5 and 10 years yielded an average of 3.79% (+0.06 p.p.) at the end of the quarter, and those with a long-term maturity of 4.26% (+0.13 p. p.).

The volume of term deposits decreased, year-on-year.

In the 1st quarter, interest rates on deposits continued to fall. Current accounts of households received an average interest rate of 0.12% (−0.03 p. p.) at the end of March. The average interest rate on deposits with an agreed maturity (−0.19 p. p.), which stood at 3.01% at the end of March, declined more significantly. Non-financial corporations had slightly higher interest rates on current accounts than households (0.61%). However, the interest rate on deposits with an agreed maturity was also reduced for them (−0.18 p. p. to 3.10%). The total year-on-year growth rate of the volume of deposits slowed down significantly to 4.1% in Q1 (an increase of CZK 296.5 bn). This was mainly caused by the year-on-year outflow of funds from term deposits (CZK −129.0 bn, −4.5%). In the case of non-term deposits, the strong growth rate remained (9.9%, CZK +425.5 bn). The vast majority of the total year-on-year increase in the volume of deposits was accounted for by households¹⁰⁸ (CZK +214.4 bn). Significantly more moderate deposit increases were recorded in non-financial corporations (CZK +31.2 bn), financial institutions (CZK +26.1 bn), and general government institutions (CZK +21.2 bn). Deposits of non-residents in Czechia decreased slightly (CZK −3.7 bn).

Interest rates on consumer credit have fallen.

The beginning of 2025 brought a more significant reduction of interest rates on consumer credit to households compared to previous quarters. The average interest rate fell by 0.47 p. p. to 8.16% at the end of March, which was the lowest since the end of 2021. On the contrary, the average interest rate on mortgages remained almost the same (+0.03 p. p., 4.74% at the end of March). Interest rates moved in the opposite direction for mortgages with a fixation period of 1 year or less (−0.24 p. p. to 4.91%) and those with a fixation period between 5 and 10 years (+0.92% to 4.15%). The volume of

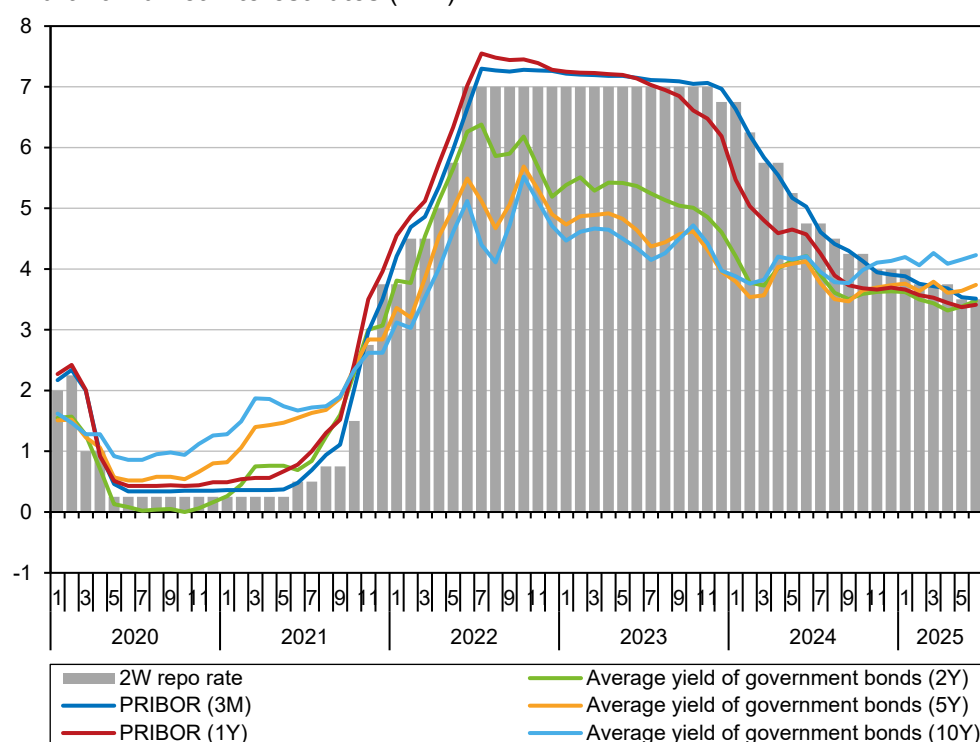
¹⁰⁶ The ARAD database of the Czech National Bank (CNB) is the data source in this chapter. Values of exchange rates are also from the CNB.

¹⁰⁷ Unless otherwise stated, the difference between the value as of 31 March 2025 and 31 December 2024 is understood as the change of interest rates.

¹⁰⁸ Population including self-employed persons.

consumer credit provided maintained a high year-on-year growth rate (9.7%) in Q1 2025. The year-on-year increase of housing credit stood at 6.0% at the end of March, which was the highest growth in more than two years. This acceleration was mainly influenced by mortgage loans. The growth rate of credit from the building society accounts continued to slow down, but it remained in double digits for the tenth quarter in a row. The continued recovery of the mortgage market was evident in the development of the volume of new mortgage contracts. In total, contracts worth 139.8 bn CZK were concluded in Q1 (+57.9 bn, year-on-year). In that, net new loans including increases¹⁰⁹ comprised 65.3 bn CZK (+30.3 bn). Other new arrangements amounted to 64.9 bn CZK (+23.8 bn) in Q1. Newly refinanced loans presented 9.5 bn CZK (+3.8 bn) from new contracts. Total household debt stood at 2,485.7 bn CZK at the end of March, up 6.3%, year-on-year.

Chart 16 Market interest rates (in %)



Source: ARAD, CNB

The share of loans to non-financial businesses denominated in foreign currency decreased slightly.

Non-financial businesses borrowed cheaper in total on average in Q1 (5.54% at the end of March, -0.21 p. p.). This was due to loans over 30 mil CZK, for which the average interest rate decreased by 0.25 p. p. to 5.52%, and loans between 7.5 mil CZK and 30 mil CZK (-0.18 p. p. to 5.35%). On the contrary, the average interest rate for the category of loans below 7.5 mil CZK increased by 0.13 p. p. to 6.0%. The total volume of credit and claims of non-financial businesses was 4.0% higher, year-on-year, at the end of March. The growth of the volume of loans denominated in koruna was significantly more pronounced (6.1%, mainly short-term loans increased by 14.6%) than those denominated in foreign currency (2.0%, a decrease in short-term loans by 5.1%). The proportion of credit in foreign currency on the total credit volume thus decreased slightly to 51.4%. The volume of credit provided increased the most, year-on-year, in professional, scientific, technical and administrative activities (24.3%), accommodation, food service activities (19.4%), public administration and defence, mandatory social security. security, education, human health and social work activities (16.1%) and

¹⁰⁹ New contracts also include the refinanced credit and other renegotiated loans. Refinanced credit includes current contracts concluded newly at other bank, while other renegotiated loans are current contracts concluded with new conditions at the same bank.



construction (10.6%). The volume of credit decreased in a number of activities. In addition to the continuing decline in mining and quarrying (−25.7%), this was recorded in information and communication (−10.9%), cultural, entertainment, recreational and other activities and activities of extraterritorial organizations and bodies (−9.4%), in the generation and distribution of electricity, gas, heat, air, water and wastewater (−9.1%), in wholesale, retail sale and repair and maintenance of motor vehicles and motorcycles (−3.8%), manufacturing (−1.2%), finance and insurance activities (−0.5%) and transportation and storage (−0.2%).

8. State Budget

The deficit of the SB decreased slightly, year-on-year, for the second time in a row in H1 2025. However, significant budget deficit has been going on for six years.

The state budget (SB)¹¹⁰ ended with a deficit of 152 bn CZK in H1 2025, which is the lowest in the last five years in the comparable period. The deficit decreased by about a sixth, year-on-year (similar to the same period last year). The approved SB also anticipates a slower year-round decline for this year (in relation to the deficit achieved in the previous year¹¹¹). The mild year-on-year improvement of the deficit was due to the relatively solid growth rate of total SB revenues, which is gradually reflecting the impact of the boosted economic performance. Growth of the SB expenditure continued to be dampened by the fading of the need for extraordinary expenditure for households and firms affected by the effects of high inflation. Both the revenue and expenditure side of the budget is also beginning to be affected to a greater extent by the effects of the “consolidation recovery package” (approved in 2023). A clear impact is already being made here by the change of the budgetary allocation of taxes (BAT), which again increases the share of the revenue of some taxes of importance in favour of the SB (at the expense of territorial budgets) from January 2025.

Total revenues increased, year-on-year, mainly due to higher collection of direct taxes and steadily growing social security premium.

Total SB revenues increased, year-on-year, in line with budget expectations in H1 (+5.7% or 55 bn CZK) and strengthened almost all important revenue items (except the revenues from the EU budget). The biggest impact continued to be exerted by rapidly growing tax income (+8.8%), driven mainly by higher collection of direct tax. The steadily increasing collection of social security premiums, including active employment policy (+28 bn CZK, +7.5%), also had a significant impact, reflecting the good condition on the labour market characterised by higher employment accompanied by rapidly growing average earnings in the business sphere. Among other items more marginal in terms of weight, the higher revenue from the gambling tax (+2.4 bn, +38%), which reflected the increase of tax rates as well as the change of the BAT for some types of games, had the highest impact.

The rapid growth of statewide tax collection continued. The role of temporarily introduced extraordinary corporate taxes was weakening.

The statewide tax collection excluding insurance premiums (taking into account revenues at the level of all public budgets) increased by 8%, year-on-year, in H1 this year (similar to the same period last year). Mainly VAT (+2.3 p. p.) and ordinary corporate tax (+2.0 p. p.), whose role strengthened compared to last year, contributed to the higher collections. On the contrary, the importance of exceptionally temporarily introduced taxes for selected segments of companies weakened¹¹² (+0.5 p. p.).

Growth of VAT collection, higher consumption of both households and the government sector strengthened slightly. Nevertheless, it remains slightly below budget expectations so far.

7.4% more of the weight-dominant tax – VAT – was flowing to SB, year-on-year, this year (+13.4 bn CZK). Although the growth of collections strengthened slightly during H1, in total it still lagged slightly behind the full-year budget plan. At the level of all public budgets, the growth of collections was 5.8% – almost double the pace for the whole year 2024. Collections are increasingly reflecting the impact of slowly recovering household consumption¹¹³ as price developments stabilise, and continued growth of consumption by the general government sector is also having a positive effect. In

¹¹⁰ Unless stated otherwise, all data related to the state budget stem from the data of the Ministry of Finance (MF) of the CR regarding the treasury fulfilment.

¹¹¹ Act on the state budget for year 2025 (based on the MF macroeconomic prediction from August 2024 and approved at the end of December 2024) anticipates annual deficit of 241 bn CZK this year, which is by 30 bn lower than the deficit achieved in year 2024.

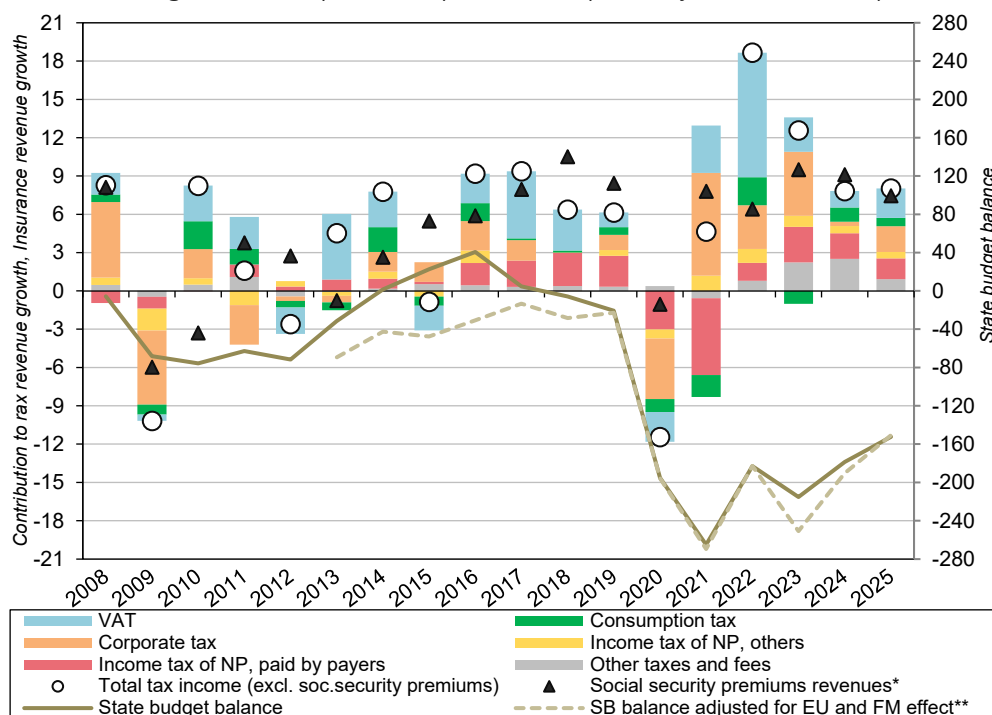
¹¹² These taxes are only represented by a windfall tax since 2024. It applies to energy, petrochemical and mining companies (in the field of fossil fuels) and also includes large banks. It works as a 60% tax surcharge applied to the excess profit of these companies, determined as the difference between the tax base in years 2023 to 2025 and the average of the tax bases for years 2018 to 2021 increased by 20 percent. However, the vast majority of this tax collection flowed to SB from the energy sector.

¹¹³ Real household final consumption expenditure increased by 2.5%, year-on-year, in the Czech Republic in Q1 2025, while general government consumption expenditure also strengthened (+2.0%). According to the first GDP estimate, consumption growth of households and the government sector continued (at an even higher pace) in Q2 2025.



addition, (unlike last year), the effects of the tax rate adjustment¹¹⁴ due to the effectiveness of the so-called consolidation package¹¹⁵ are already fully visible.

Chart 17 Contributions of sub-incomes to year-on-year growth of total statewide tax income collection (in p. p.), year-on-year growth of social security revenues (%) and state budget balance (in bn CZK) within H1 (1st half-year cumulations)



*Also includes contributions to state employment policy.

**Balance adjusted for funds on programmes/projects from the EU and FM budgets, which were pre-financed from the SB and are subsequently paid for by the EU and FM budget. Figures are available starting year 2013.

Other income taxes of NP (natural persons) consist of taxes paid by payers (mainly from small enterprises) and further taxes collected by deduction (e.g. from bank deposits, work agreements).

Other taxes and fees include in particular real estate tax, gambling tax, motorway toll, tolls and, from 2023, also a levy on excess income and windfall profits.

Source: MF CR

Collection of excise duty mainly reflected changes in the taxation of tobacco and related products.

A slight increase of the collection of the tax on mineral oils was related to the development of road freight transport and higher demand due to low fuel prices.

The half-yearly collection of excise duty (including energy tax) increased by 6%, year-on-year (+4.5 bn CZK) this year. This growth has taken place for all key tax items and at the same time has so far exceeded budget anticipations (in recent years it has been rather the other way around). Also, some items (tobacco and tobacco products, alcohol) are more affected by the frontloading effect (influenced by the increase of the tax rate¹¹⁶) than last year, and the growth of tax collection has thus gradually slowed down during H1 2025. Despite this, taxes on tobacco products contributed the most to the growth of total excise duty collection so far this year, from which a tenth more flowed to the SB, year-on-year (+2.6 bn CZK). The collection of the traditionally most important excise duty in terms of weight – on mineral oils – grew more moderately (+1.7%). There was a higher demand for these products resulting from the development of road freight

¹¹⁴ This concerns the unification of two reduced rates (10% and 15%) into one of 12% (apart from books, which are now completely exempt from VAT). A number of goods and services are now subject to lower taxation (e.g. basic foodstuffs, medicines, medical products, construction work). The negative budgetary impact is mainly mitigated by the transfer of some items without demonstrable social or health significance to the basic 21% tax rate (beer, non-alcoholic beverages, services of authors and artists, hairdressing services, firewood, municipal waste, cleaning work).

¹¹⁵ This was first reflected in the cash implementation of the SB in February 2024 and thus has an impact not only on the absolute amount of VAT collection, but also on the year-on-year pace now.

¹¹⁶ This year, there was a further increase of the tax rate (classic tobacco products) and an expansion of the range of taxed products (e-cigarette refills from 2024, nicotine pouches, and other alternatives from 2025). At the same time, the consumption of alternative tobacco products is also growing thanks to higher social tolerance and also a still relatively lower level of taxation.

transport as well as the favourable development of retail fuel prices¹¹⁷. Collections of more marginal tax items – levies on the performance of solar power plants (+49%, mainly due to the expansion of their grid) and further natural gas (+18%) and electricity (+8%), where the higher consumption in the 2024/2025 heating season due to relatively cooler weather and also the retreat of households from austerity measures manifested – grew much more rapidly. Among the partial items of tax, the state collected less, year-on-year, only for beer and wine (however, the decline is still very negligible for these items and thus essentially follows the whole of last year, when SB's income from these products rather stagnated).

Corporate income tax collection grew at a double-digit rate and, like the collection of extraordinary corporate taxes, has so far met budget expectations.

SB received 11.3% more on corporate tax (excluding extraordinary taxes), year-on-year (+12.2 bn CZK), in H1, bringing the pace of collection closer to the full-year budget expectations. The growth of collections accelerated significantly compared to last year's pace, although the impact of the across-the-board increase of the tax rate from 19% to 21%¹¹⁸ has not yet been fully reflected. On the contrary, similar to last year, the exemption of government bonds yields or the extension of the effectiveness of extraordinary depreciation had a negative (but only partial) effect on tax collection. In addition to the regular corporate tax, SB received 21.7 bn CZK this year thanks to the windfall profit tax, less than a fifth more, year-on-year. So far, the collection of this tax has slightly exceeded budget expectations.

Both employees and small entrepreneurs have made a significant contribution to the continued rapid growth of ITNP collections. The effect of the economic growth recovery and impacts of the consolidation package became apparent.

Income tax of natural persons (ITNP) grew at a double-digit rate, year-on-year, for the fourth time in a row this year (+13.6%, +10.7 bn CZK). As with corporate tax, the revenue to SB is increased by a change in the BAT¹¹⁹. Traditionally, the highest contribution to its growth was the tax paid by taxpayers or from dependent activities (+8.4 bn CZK). This tax was favourably affected by the continuing good condition of the labour market (higher employment and rapid nominal growth of the average wage in the business sphere) and partly by the legislative changes from 2024 (in particular, the reduction of the band for the second enhanced rate of this tax, the abolition or limitation of selected tax credits and, to a lesser extent, the adjustment of the taxation of selected non-monetary benefits¹²⁰). Unlike in the previous years, the collection of personal income tax paid by taxpayers (mainly from self-employment) also grew dynamically this year, roughly doubling, year-on-year (+3.5 bn CZK). The growth of the number of small entrepreneurs and the effects of the consolidation package (reduction of the income threshold for the second, higher tax rate, abolition or reduction of certain tax reliefs) had a positive effect here. On the contrary, the collection of personal income tax levied by deduction decreased by 7.5%, year-on-year, this year. With the expected decline of interest rates on deposits, the previous three-year period of dynamic growth of income from this tax ended for the SB. The effect of the decline of rates is partly dampened by the relatively high level of household savings. The current decrease of collection is also related to a lower number of people working on agreements outside the main employment relationship (agreement to complete a job, to perform work).

The rapid growth of ITNP collection levied by deduction has ceased.

¹¹⁷ According to data from the Czech Statistical Office, the consumption of the most important item by weight – diesel fuel – increased by 1.8%, year-on-year, from January to May 2025 and motor gasoline by 1.7%. The average consumer price of Natural 95 petrol in the Czech Republic was 33.9/litre CZK in May this year (the lowest since September 2021) and diesel fuel was 32.7/litre CZK (the lowest since June 2023). Cross-border purchases (or stronger transit traffic) also probably contributed to higher domestic consumption, as the price of these commodities was among the lowest in Central Europe.

¹¹⁸ This will only be reflected in the collection for this July in connection with the tax settlement for 2024 for taxpayers who have a mandatory audit or whose tax return is processed and submitted by a tax advisor.

¹¹⁹ The collection of this tax at the level of all public budgets was 12.3% higher, year-on-year (14.8 bn CZK), in H1. In that, the collection of the most important ITNP in terms of weight – from employers (or taxpayers) – reached 105 bn CZK and for the first time exceeded the previous record level from year 2019, when the super-gross wage regime (with higher total taxation) was still in force.

¹²⁰ Most of these changes began to affect the amount of tax collection for the first time in February 2024. The impact of the abolition or reduction of some tax discounts was first felt during the annual tax settlement (in April 2025).



<p>Growth of the SB total expenditure has been slightly lower than the annual budgeted pace so far this year.</p>	<p>Although the year-on-year pace of the SB total expenditure strengthened¹²¹ slightly in H1 2025 (+2.5%, 28 bn CZK) compared to last year, it has so far been somewhat lower than this year's annual budget expectations. Both current and capital expenditures stood behind the total expenditure growth this year. The impact of higher current transfers to regional budgets was most noticeable, reaching 186 bn CZK (almost a sixth of all current expenditure) and increasing by 13.6 bn CZK (+7.9%), year-on-year. The higher expenditure reflects, first of all, the strengthening of funds for regional education, primarily to raise the salaries of workers¹²², then for co-financing non-research educational projects supported by the EU and, last but not least, for social services. In contrast, there was also a decrease of funding in the area of integration of refugees from Ukraine (compensatory allowance for accommodation, Ukrainian teaching assistants).</p>
<p>The expenditure growth was mostly driven by current transfers to regional budgets, especially in the area of education.</p>	
<p>Pension spending has grown the least in the last 11 years. The impact of a moderate adjustment and a tightening of the conditions for granting early retirement pensions became apparent.</p>	<p>Despite its relatively more modest growth in terms of the budget anticipations (+2.1%), expenditure on social benefits (+9.7 bn CZK) had still an important impact on the SB in H1 2025. More than three-quarters of these expenditures are long-term pension insurance benefits. SB expended 0.4% more on pensions this year, year-on-year, which was the lowest growth in the last eleven years. The moderation of consumer prices development has now been reflected in a relatively insignificant adjustment of pensions¹²³, and the number of pension recipients has also decreased slightly (by total of 0.7%, of which old-age pensions by 1.1%), which was mainly related to the tightened rules for early retirement¹²⁴. These increased by only 1.1%, year-on-year (the lowest in the available series since 2000). Although the year-on-year growth of pension premium collection slowed down for the second time in a row in H1 2025 (to +6.6%), the deficit of the pension insurance system¹²⁵ decreased by more than two-thirds (to -9.2 bn CZK) and was thus the lowest in the last four years.</p>
<p>The deficit of the pension insurance system has fallen to a four-year low.</p>	
<p>Growth of expenditure on non-pension social benefits accelerated mainly due to rapidly growing care contributions. The drawdown of the vast majority of other types of benefits increased.</p>	<p>Growth of expenditure on other (non-pension) social benefits accelerated to 8.5% this year, which represents a five-year high. SB spent more than 100 bn CZK on this area in H1 for the first time in history. Even though there was a year-on-year expenditure increase for almost all important types of benefits, the key role was played by an increase of the volume of significant contributions to care for the long-term ill (+4.4 bn CZK, +24%¹²⁶). After last year's decline of expenditure on humanitarian benefits (for Ukrainian refugees) caused by a decrease of the number of recipients, their use strengthened this year (+ 1.0 bn CZK, +27%), with a slight change in the number of benefits paid¹²⁷. The growth of housing allowances continued for the fourth year in a</p>

¹²¹ This is mainly due to the fact that in 2024 there was a significant decline of support for households and companies affected by previously high energy prices. Consumer price growth also stabilised last year, which was soon reflected in lower pressure on the adjustment of a wide range of social benefits.

¹²² Expenditure on teachers' salaries increased by 7% from 1 January 2025 and increased by 5% for other teaching staff (tutors, teaching assistants) and non-teaching staff. The increase of salary tariffs by 1,400 CZK affected only non-teaching staff. The year-on-year growth of expenditure also takes into account the continuing growth of the number of children, pupils and students in regional education and the greater use of the division of hours to improve the quality of teaching.

¹²³ The basic amount of the pension assessment has been increased to 4,660 CZK (+CZK 260); the percentage assessment has increased by 0.6% and pensioners who reach the age of 85 in January 2025 will have their percentage assessment increased by another 1,000 CZK. The average monthly old-age pension thus increased by 358 CZK (+1.7%) in January. In June 2025, the average monthly old-age pension (excluding concurrence with other pensions) was 2.0% higher, year-on-year, reaching 22.3 thousand CZK for males and 19.9 thousand CZK for females.

¹²⁴ From October 2024, the required insurance period has increased from 35 to 40 years. Further tightening has already taken place: the maximum period of early retirement has been reduced from 5 years to 3 years, the adjustment of the percentage assessment of early retirement up to the retirement age has been abolished, and the reduction of the amount of pension for early retirement has increased significantly.

¹²⁵ This expresses the difference between income from pension insurance premiums and expenditure on these benefits (including expenditure on benefit system administration) according to the preliminary balance sheet of the Ministry of Finance.

¹²⁶ This was closely related to the statutory increase of amounts for persons in the 2nd to 4th degree of dependency for both children and adults (from July 2024). In total, 380 thousand people received care contributions in June this year, up 2%, year-on-year.

¹²⁷ The year-on-year development is influenced by an increase of the eligible costs of housing and accommodation for the purposes of determining entitlement to humanitarian benefits. In June 2025, 45 thousand benefits were paid. 7% less, year-on-year (but 79% less compared to the same period in 2022).

In some types of social benefits, the longer-term decline of drawing due to the falling birth rate manifested.

row (by 1.3 bn CZK this year, +14%)¹²⁸. The state also (in total) spent more on insurance benefits, year-on-year. The drawdown of unemployment benefits increased for the third year in a row (by 1.0 bn CZK this year, +15%), partly also due to a slightly growing number of job applicants. 25.7 bn CZK was directed to sickness insurance benefits in H1 this year, which are one of the most important types of benefits in terms of the number of recipients, up 3.2% year-on-year¹²⁹. Sickness¹³⁰ and care allowance contributed to the growth, by contrast the volume of maternity benefits declined for the third year in a row due to the falling birth rate. Among the non-insurance benefits, the more significant decline was for child allowance (−0.2 bn CZK, −6%) and especially parental allowances (−0.9 bn, −6%)¹³¹, which, however, is a longer-term trend closely related to unfavourable demographic developments.

Current subsidies to contributory and non-profit organizations grew at a double-digit pace.

Current subsidies to contributory and similar organisations increased by 12.3% (+7.2 bn CZK), year-on-year, this year, both due to higher contributions to the day-to-day operation of higher education institutions and support for research, development and innovation in the higher education and government sectors. Current transfers to non-profit and similar organisations have also grown rapidly this year (+15.5%, +2.5 bn CZK), mainly as a result of enhanced support for sports teams and major sports events and other sports expenditures. Expenditure on social care and assistance to families, as well as on European projects in the field of employment, has also increased.

Expenses on servicing the government debt continued to grow rapidly.

Net expenditure on servicing the government debt¹³², including mainly interest, amounted to a record 47.8 bn CZK in H1 this year and increased by 4.9 bn CZK, year-on-year (similar to the previous year)¹³³. The amount of state debt reached 3,504 bn CZK at the end of June this year and increased, year-on-year, for the sixth year in a row. Its current growth (+9.3%) was almost double compared to the same period last year, on the other hand, it was far from reaching the rates of previous years of the current decade. Since the beginning of this year, the debt has increased by 139 bn CZK. Although the volume of total borrowing operations of the state¹³⁴ was higher this year than in H1 2024, the volume of repayments also increased. The rise of debt during this year was largely related to internal indebtedness, which grew both due to treasury bills and other short-term debt instruments (+60 bn CZK) and medium- and long-term bonds (+88 bn CZK). The external state debt (in the koruna value) increased only very slightly and amounted to 184 bn CZK at the end of June. However, in a year-on-year comparison, external debt grew more noticeably (+20.6%), mainly due to loans from the European Investment Bank (for the development of transport infrastructure in the Czech Republic) implemented in H2 2024.

Year-on-year growth of the value of state debt accelerated, and internal and external debt also increased.

¹²⁸ Due to the increase of the amounts of normative housing costs, the number of recipients of this benefit continued to grow slightly (it amounted to 312 thousand in June this year and was 11% higher, year-on-year). Compared to June 2021, the number of beneficiaries has almost doubled.

¹²⁹ Compared to the record drawdown in the "pandemic year" of 2020, the state spent 15% less on these benefits this year.

¹³⁰ The influence of higher morbidity was also evident here. According to CSSA data, the number of days off (associated with temporary incapacity for work) reached 42.3 million in H1 this year, and although it increased slightly, year-on-year (+2.6%), it was the second lowest number in the last six years.

¹³¹ The year-on-year decline of the use of both types of benefits was accompanied by a decrease of the number of their recipients. According to June data, it was 5% for child allowances (to 346 thousand) and 10% for parental allowances (to 225 thousand).

¹³² Net expenditure corresponds to the balance of the budget chapter State debt (No. 396).

¹³³ The approved SB expects an increase of these expenditures by 11.5% for the whole this year, and their amount should reach 100 bn CZK for the first time in history.

¹³⁴ The issuing activity of the state carried out in order to finance the repayments of the state debt and to cover the current state budget deficit was performed in the standard regime this year as well. The decisive part of the borrowings consisted of issues of koruna medium-term and long-term government bonds sold on the domestic market in H1, which amounted to 191.7 bn CZK (with an average residual maturity of 9.2 years and an average annual yield of 4.1% on fixed-interest bonds, these are similar values as in the same period last year). The stock of all domestic bonds (government bonds issued in the Czech Republic under Czech law) amounted to 3,307 bn CZK at the end of June this year, up by 8.3%, year-on-year. Financial institutions dominated among the holders of these bonds (68.2%). Households (3.5%) and non-financial corporations (1.5%) played a small role, while the weight of non-residents was traditionally significant (25.3%). Year-on-year, the weight of most financial institutions (especially banks and investment funds) among holders increased, to the detriment of non-residents in particular, and to a lesser extent also households and insurance companies.

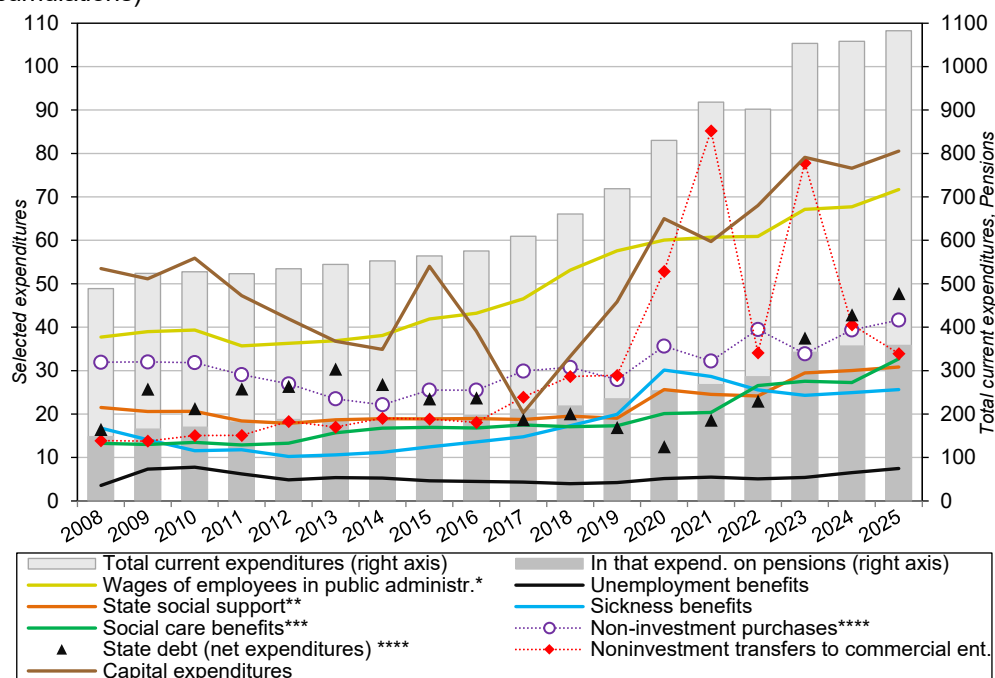


Growth of expenditure on non-investment purchases moderated compared to last year's pace, while the pace of expenditure on salaries in contrast accelerated.

The balance of sickness insurance ended in a surplus for the second year in a row, the highest since year 2008.

Other non-investment purchases and related expenditures (excluding government debt service) increased, year-on-year, in H1 this year (+5.8%, +2.3 bn CZK)¹³⁵. The impact of savings on expenditure on the purchase of water, fuel, energy and maintenance was dampened by a compensation payment in the telecommunications¹³⁶. After last year's de facto stagnation, expenditure on salaries in the organisational units of the state has increased by 5.9%¹³⁷ this year, but so far slower than the full-year budgeted pace¹³⁸. Due to the calming of the price level in the economy, there was only a slight increase in SB expenditure on public health insurance payments for the so-called state insured persons (+1.0 bn CZK, or +1.4%)¹³⁹. Income from insurance premiums paid by employed persons increased at double-digit rates for the second year in a row (+10.3% this year), mainly due to the legal regulation in connection with the consolidation package¹⁴⁰. Thanks to this strengthening, the total balance of sickness insurance¹⁴¹ reached a slight surplus last year for the first time since 2017, which increased further in H1 this year and amounted to 5.1 bn CZK (the highest balance since 2008). Of the other major current expenditures, only the contributions of own resources to the EU budget increased this year (+9.7%, +2.5 bn CZK).

Chart 18 Selected expenditures of the state budget (in bn CZK, 1st half-year cumulations)



*Expenditures on salaries in central government institutions. Do not include e.g. wage costs of regional education.

**Also includes the foster care benefits.

***Include Material deprivation assistance benefits, Benefits for people with disabilities, Care benefits based on Act on State Social Support. Humanitarian aid provided for citizens of Ukraine is also included here.

****Contains mainly expenditures on purchase of services, materials, energies or other services (e.g. expenditures on repairs and maintenance).

*****Net expenditures correspond to the balance of the budget chapter State debt (no. 396).

Source: MF CR

¹³⁵ The budget approved this year anticipates a similar growth rate, driven mainly by higher defence spending (purchases of services and materials).

¹³⁶ It concerned a payment to the Czech Post (in the amount of 2.3 bn CZK) for the provision of a universal postal service.

¹³⁷ This increase is reflected mainly in an across-the-board raise of salary tariffs for members of the security forces and soldiers (by 1,500 CZK) and most other civil servants (by 1,400 CZK).

¹³⁸ The growth rate should gradually increase in the rest of this year, as strengthening of expenditure on the salaries of soldiers, police officers, firefighters and other members of the security forces has been approved with effect from July 2025. There will be an increase of the service tariffs of professional soldiers and their service allowances for housing, and the stabilization allowances for members of the security forces will increase across the board this year.

¹³⁹ The impact of the newly introduced automatic indexation, which adjusts the assessment base of the payment by the sum of 100% of consumer price growth and 50% of real wage growth from January 2024, has become apparent. As a result, the monthly payment per person has increased from 2085 CZK to 2127 CZK since January 2025.

¹⁴⁰ As of January 2024, the reimbursement of sickness insurance to employees has been reintroduced (in the amount of 0.6% of the assessment base) and the assessment base for the self-employed has been also increased. Later, the limits for participation in the insurance of an employee working on the basis of an agreement to perform work were set (from January 2025, this limit is 11,500 CZK).

¹⁴¹ This expresses the difference between income from sickness insurance premiums and expenditure on benefits from this insurance according to the CSSA's balance sheet.

<p>The continuing decline of transfers to entrepreneurs was closely related to the termination of most support subsidies in the energy sector.</p>	<p>The growth of SB expenditure this year, as well as throughout the last year, was mostly dampened by current transfers to entrepreneurs. These decreased by 6.6 bn CZK, or a sixth, year-on-year (more than half in the last two years) and their amount paid out (33.9 bn CZK) returned to the "normal" last noticeable at the end of the last decade. This is related to the gradual expected reduction of most subsidies in the energy sector¹⁴². An order of magnitude less impact was the temporary decline of the research, development and innovation support provided to companies. On the contrary, subsidies for renewable energy sources increased slightly (to 10.4 bn CZK). The year-on-year decrease of current transfers to state funds (SF), which reached 13.7 bn CZK (–30.7%), also counteracted the growth of SB expenditure. This was mainly caused by the expected lower financing of SF transport infrastructure (to cover its deficit), and to a lesser extent also by the temporary decrease of transfers of SF to the environment (for European projects) and to agriculture (for direct payments to farmers). The SB has "saved" on contributions to building savings and supplementary pension insurance for citizens for the third year in a row. So far this year, 4.5 bn CZK has been directed to these purposes (40% less, year-on-year), the lowest in the available series for the first half-years.</p>
<p>The decrease of operating subsidies to state funds has mainly affected the transport sector.</p>	
<p>SB capital expenditure increased very slightly, year-on-year. However, they did not reach even a third of the annual budget amount.</p>	<p>SB capital expenditure increased only slightly, year-on-year, in H1 this year (+5.2%) and its amount (80.2 bn CZK) was comparable to the same period of 2023. But in fact, the approved SB after the adjustments expects a record year-round volume of investments (266 bn CZK), more than a quarter higher, year-on-year, compared to the investments realised. Although the onset of investments is traditionally slower in the first half of the year, their performance so far this year (30% of the annual volume) is low compared to the practice of previous years¹⁴³. Most of the expenditure comprised of investments made exclusively from national sources (43.8 bn CZK), which increased by a fifth, year-on-year, while the financing of joint programmes of the Czech Republic and the EU (or projects from other foreign sources) decreased by less than a tenth. The drawing of exclusively national resources increased mainly due to a higher allocation to transport infrastructure (+14 bn CZK), partly also to repairs of state-owned infrastructure after last year's floods. On the contrary, expenditure on defence has fallen, due to last year's higher base, or irregular financing of equipment for the Czech Army. A relatively deeper decline (almost to half of last year's level) occurred for investment subsidies to entrepreneurs, where the slower launch of projects at the beginning of the new EU programming period is evident. Total SB investments accounted for 6.9% of all budget expenditures in Q1 (similar to the same period from years 2022 to 2024) and this represents an average share in the long-term context (the last two decades).</p>
<p>The growth of investments was driven by expenditure on transport infrastructure, including their repairs after last year's floods.</p>	
<p>The Czech Republic's revenues from the EU budget have almost doubled, year-on-year. However, after including funds from the Recovery Instrument, they fell by a tenth. The Czech Republic remained in the position of a net</p>	<p>The Czech Republic's total revenues from the EU budget (excluding the EU Recovery Instrument¹⁴⁴ or the National Recovery Plan – NRP) almost doubled, year-on-year, in H1 this year (to 55.5 bn CZK). All important types of revenue increased, with the greatest impact being the strengthening of Cohesion Funds, from which the Czech Republic received 17.1 bn CZK (the allocation was almost zero last year in H1, at the start of the new programming period). Most of the funds flowed to the Czech Republic this year in direct payments to agriculture (19.9 bn CZK), their drawdown is relatively smooth. The total payments of the Czech Republic to the EU budget increased by a</p>

¹⁴² These are mainly compensations for the supply of electricity and gas to customers and for losses due to the capping of their prices (with a year-on-year decrease of 8.7 bn CZK), which were still paid out at the beginning of 2024.

¹⁴³ The last time a lower half-yearly implementation of investments was recorded was in 2017, when the financing of joint EU-Czech programmes from the 2007 to 2013 programming period ended and the start of the new period 2014 to 2020 was very gradual. For the whole year 2017, the volume of all SB investments reached only 76% of the annual expected amount. During the summer months, the situation partially improved this year, and at the end of August, less than half of the investments planned for 2025 had been spent.

¹⁴⁴ This tool was created to address the economic and social impacts of the COVID-19 pandemic. It particularly aims at restoring the labour market, social protection and healthcare systems, reviving the potential for sustainable growth and jobs, the transition to a green and digital economy, research and innovation, support for agriculture and rural development. Expenditure takes the form of grants and loans to Member States provided by the Recovery and Resilience Facility (RRF) and six other EU spending programmes for the period 2021-2027.



beneficiary in relation to the EU.

tenth (to 32.9 bn). The net position of the Czech Republic vis-à-vis the EU budget (excluding NRP) thus amounted to +22.6 bn CZK this year, which returned to the long-term role of a net beneficiary after a slight pause¹⁴⁵. If we also include this year's funds from the NRO (that the Czech Republic has been receiving since 2021), the overall positive balance with the EU would be even slightly more favourable this year (24.0 bn CZK). The Czech Republic has received only 1.4 bn CZK from this instrument so far this year (but a record 34.9 bn CZK in H1 last year).

The general government deficit in the Czech Republic widened slightly at the beginning of this year. The pace of revenue growth continued to slow.

The general government sector (VI) in the Czech Republic ran a deficit of 73.6 bn CZK¹⁴⁶ in Q1 2025¹⁴⁷, which was a one sixth higher, year-on-year¹⁴⁸. Percentage growth of revenues was slower than growth of expenditure, which last occurred at the end of 2023. The trend of slowing down revenue apparent already last year continued. Total revenues, which reached 39.8% of GDP this year, increased in absolute terms by 4.5%, year-on-year, i.e. at half the rate of the beginning of last year (and at the same time the lowest since the end of 2021). Their growth was traditionally driven the most by net social contributions, which grew by 6.1% (although their pace weakened slightly compared to previous years). This reflected both continued moderate employment growth and brisk wage growth in the business sphere. Mainly due to the acceleration of VAT collection, revenue from taxes on production and imports increased (+4.0%). On the contrary, the collection of current income taxes (on pensions and wealth) stagnated this year (+0.2%) after double-digit growth at the beginning of 2023 and 2024. The only income item where there was a year-on-year decline this year was proprietary income (-2.9 bn CZK), where interest income decreased. Total expenditure, which reached 43.5% of GDP this year. They increased in absolute terms by 5.5%, year-on-year. Their growth rate accelerated compared to last year, mainly due to the recovery of subsidies paid, whose dynamics have been highly volatile in recent years due to turbulent energy prices. In contrast to previous years, when year-on-year expenditure growth was traditionally mostly driven by the weight-dominant item of social benefits (including social transfers in kind), almost all expenditure items contributed equally this year¹⁴⁹. Mainly due to lower pension adjustment, growth of expenditure on social benefits slowed to 1.8% (this was the lowest pace since 2015 in Q1). Moderate growth of wage expenditure continued (+4.7%, similar to the beginning of 2024), while growth of intermediate consumption expenditure accelerated (to +7.5%) and a recovery occurred (mainly thanks to local government) for investment – fixed capital formation of the entire VI sector increased by 10.5%, year-on-year.

On the contrary, expenditure growth accelerated. There was a recovery in the payment of subsidies, and growth of intermediate consumption and fixed investment strengthened. On the other hand, there was a significant slowdown of the social benefits dynamics.

The deficit of sector VI in the EU decreased slightly, year-on-year. The deficit of the Czech Republic continued to be lower than in the EU or the euro area and was also relatively favourable

The budget situation in the area of sector VI in the EU Member States¹⁵⁰ partially stabilised last year after the launch of moderate economic growth and the calming of price developments. The economic deficit in the EU and the euro area reached 2.9% of GDP equally in Q1 2025, which was a slightly better result than in the same period last year, or on average for the whole of 2024 (by 0.1 to 0.2 p. p.). The deficit was 2.2% of GDP in the Czech Republic this year, the same as last year's average. This was the lowest among Central European countries. Simultaneously, the domestic result is better

¹⁴⁵ The Czech Republic achieved a slightly negative balance in relation to the EU budget in H1 2024 (-1.2 bn CZK), for the first time in the first half-year since its accession to the EU. However, after including funds from the NRP, the total balance with the EU was still noticeably positive last year (+33.7 bn CZK).

¹⁴⁶ Unless stated otherwise, data regarding the budget balance of sector VI in the CR are expressed in nominal terms and without seasonal adjustment.

¹⁴⁷ Data regarding the budget of government institutions for Q2 2025 will be published by the CZSO on 1st October 2025, Eurostat subsequently on behalf of the Union member states on 21st October. More detailed assessment of the domestic development for Q1 2025 is offered in the publication Analysis of the sector accounts: [Analýza sektorových účtů](#)

¹⁴⁸ This deterioration was traditionally largely influenced by the widening of the deficit of central government institutions (by 12.0 bn CZK to 105.7 bn CZK). On the contrary, the surplus achieved by local government institutions (+33.8 bn CZK) was almost unchanged (-0.5 bn) compared to last year's value. Health insurance companies reported a very slight deficit this year (-1.7 bn CZK), which moderated to one half, year-on-year.

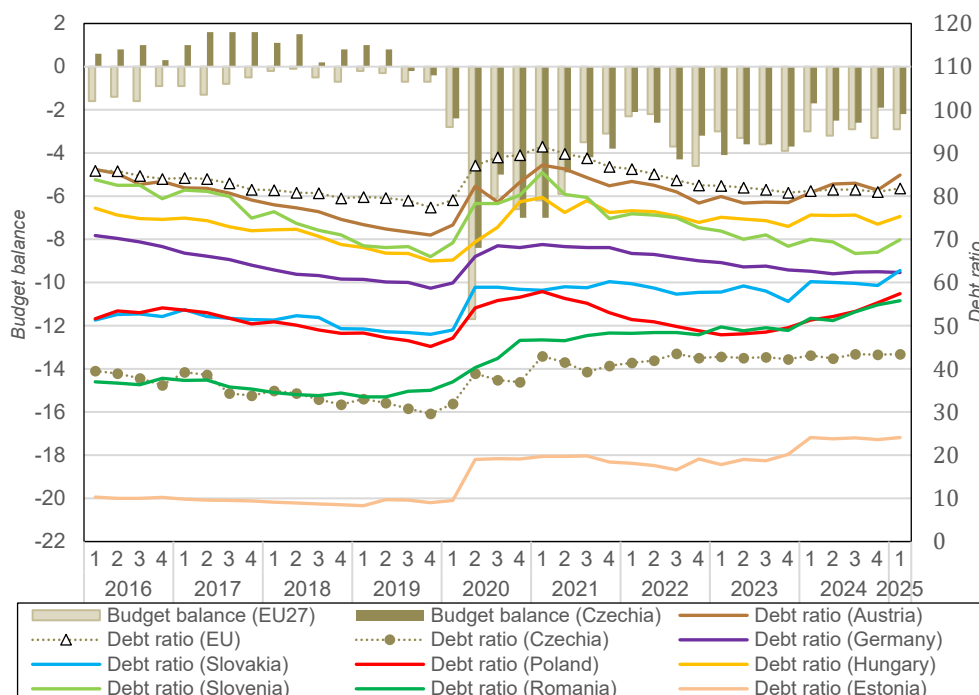
¹⁴⁹ The exception presented the paid proprietary income, the slight decline of which (-1.6 bn CZK) was mainly due to lower interest paid.

¹⁵⁰ All the following figures for income, expenses and balance are expressed after seasonal and calendar adjustment.

compared to the Central European countries.

than the EU average for the sixth quarter in a row. Romania stood out among the member states, where the deficit, despite a slight year-on-year improvement, reached 7.5% of GDP this year. France, Belgium, Poland and Austria also suffered a deficit of more than 5%, and it amounted to 2.3% of GDP in Germany. Only seven countries recorded a surplus this year (similar to last year) – exclusively smaller and medium-sized economies (the highest was in Cyprus: +5.6% of GDP). The economic balance deteriorated, year-on-year, in eleven countries this year – the most in Slovenia (by 2.9 p. p.), and of the major economies in Poland (by 1.8 p. p.). In contrast, the position of Greece improved the most (by 4.3 p. p.) and then e.g. Germany (+ 1.0 p. p.).

Chart 19 Budget balance and debt ratio of the general government institution sector in selected EU states (in % of GDP)



Note: Budget balance is seasonally adjusted. The debt rate expresses the balance at the end of quarter.
Source: Eurostat

The debt ratio in the EU and the euro area increased only slightly, year-on-year, but still the most in almost four years.

Indebtedness in the Czech Republic continued to increase only slightly. Its level was half that of the euro area, but almost double that of the least indebted EU countries.

The year-on-year decline of the debt ratio of sector VI in the EU (and the euro area) stopped at the end of last year. Gross consolidated debt rose to 81.8% of GDP in the EU and 88.0% of GDP in the euro area at the end of Q1 this year. Although the growth rate was not high (+0.6 p.p. and 0.2 p.p., respectively), it was the most significant increase since Q2 2021. In half of the member states, debt levels have decreased, year-on-year, most notably in Greece (from 162% of GDP to 153%) and Cyprus (from 73% of GDP to 64%). Some other above-average indebted countries (Spain, Portugal, Hungary) also recorded a slight decrease, while the largest growth of debt this year occurred in Poland (+6.1 p. p., to 57.4% of GDP) and Romania (+4.1 p. p., to 55.8% of GDP)¹⁵¹. In addition, the position of some long-term highly indebted countries – Italy (at 138% of GDP), France (114%), Austria (85%) and Finland (84%) – also deteriorated. The debt ratio of the Czech Republic was the ninth lowest in the EU (43.4% of GDP¹⁵²) and its longer-term moderate growth continued, year-on-year (the effect of nominal change of debt was +2.5 p. p.¹⁵³ in Q1, while rising nominal GDP contributed to a decrease of debt by -2.2 p. p.). Compared to the trough of the boom period (2015–2019), however, indebtedness in the Czech Republic increased by almost half (or 13.8

¹⁵¹ Although these countries are still relatively less indebted, the year-on-year increase of debt has been evident for more than the last two years.

¹⁵² At the same time, it has long been the lowest among Central European countries.

¹⁵³ Nominal debt of the VI sector rose by 202,0 bn CZK, year-on-year, to 3 539,1 bn CZK.

p. p.), and "only" by 4.4 p. p. in the total EU. Only six countries fared worse in this regard: Romania (+22.3 p. p.), Finland (+18.9) and further France, Estonia, Slovakia and Austria. On the contrary, eight Union members currently reported debt below the above-mentioned minimum – these are both the countries of northwestern Europe (Denmark, Sweden, Ireland, the Netherlands) and the countries of the southern flank of the euro area (Croatia, Greece, Portugal and also Cyprus, where the decline was as much as 28 p. p.).